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7. Adapting EU trademark law to new technologies: back to basics?

Martin Senftleben

INTRODUCTION

In recent years, the Court of Justice of the European Union (CJEU) has continuously expanded the scope and reach of trademark protection in the EU. With the challenges arising in the digital environment, however, this expansionist approach becomes more and more questionable. The current problems arising from keyword advertising shed light on areas of overbroad, excessive trademark protection created by the Court. Moreover, inconsistencies in the Court's system of infringement criteria clearly come to the fore. Against this background, the present analysis explores ways out of the dilemma.

After a short introduction to basic notions of EU trademark law (section 1), the problematic expansion of trademark protection in recent years (sections 2 and 3), and current problems arising in the digital environment (section 4), will be analysed in more detail. Addressing potential solutions, it will be argued that in spite of current difficulties, it would be naive to assume that the Court is prepared to restrict the scope of EU trademark law to traditional protection against confusion with only minor extensions concerning dilution (section 5). Instead, the need for an appropriate, more flexible limitation infrastructure will be emphasized (section 6 and concluding section 7).

1. BASICS

According to traditional trademark theory, trademarks primarily serve the purpose of indicating the commercial origin of goods and services offered in the marketplace.¹ The CJEU refers to

¹ For an overview of trademark functions, pointing out this traditional focus on identification and distinction functions and potential extensions with regard to communication, investment and advertising functions, see R. Keim (2009), *Der markenrechtliche Tatbestand der Verwechslungsgefahr*, Baden-Baden: Nomos, pp. 37–61.

the essential function of the trade mark, which is to guarantee the identity of the origin of the trade-marked product to the consumer or final user by enabling him to distinguish without any possibility of confusion between that product and products which have another origin.²

To enable trademarks to fulfil the essential origin function, trademark law offers enterprises the opportunity to establish an exclusive link with a distinctive sign. As a result, the protected sign is rendered capable of functioning as a source identifier in trade. In this way, trademark law guarantees market transparency. It ensures fair competition, protects consumers against confusion and contributes to the proper functioning of market economies by allowing consumers to clearly express their preference for a particular product or service. From an economic perspective, it can be added that the clear indication of the commercial origin of goods and services reduces consumers' search costs.³

To enable trademarks to fulfil this essential origin function, defensive⁴ protection is sufficient. As long as the trademark owner is capable of preventing other traders from using identical or similar signs for identical or similar goods or services, the clear identification of the commercial source of goods and services can be guaranteed. As highlighted by the CJEU, the protection of trademarks as identifiers of commercial source aims at the exclusion of 'any possibility of confusion.'⁵ Accordingly, this protection is to be granted only if use of a conflicting sign is likely to cause confusion.⁶ In cases of double iden-

² For an early use of this formula, see CJEU, 3 December 1981, case C-1/81, *Pfizer v Eurim-Pharm*, para. 8. As to the reappearance of the same formula in later judgments, see particularly CJEU, 12 November 2002, case C-206/01, *Arsenal/Reed*, para. 48. Cf. I. S. Fhima (2005), 'How Does "Essential Function" Doctrine Drive European Trade Mark Law?', *IIC*, **36**, 401.

³ With regard to the search costs argument, see J. Griffiths (2008), 'A Law-and-Economic Perspective on Trade Marks', in L. Bently, J. Davis and J.C. Ginsburg (eds), *Trade Marks and Brands – An Interdisciplinary Critique*, Cambridge: Cambridge University Press, p. 241; M. Strasser (2000), 'The Rational Basis of Trademark Protection Revisited: Putting the Dilution Doctrine into Context', *Fordham Intellectual Property, Media & Entertainment Law Journal*, **10**, 375, 379–82. With regard to questions arising in the digital environment, see S.L. Dogan and M.A. Lemley (2004), 'Trademarks and Consumer Search Costs on the Internet', *Houston Law Review*, **41**, 777.

⁴ This protection is defensive in the sense that it aims at the prevention of confusing use and is not concerned primarily with the exploitation of brand value as an enterprise's intellectual property asset. Cf. M.R.F. Senftleben (2009), 'The Trademark Tower of Babel – Dilution Concepts in International, US and EC Law', *IIC*, **40**, 45, 47, online available at <http://ssrn.com/abstract=1723903>.

⁵ See the references provided *supra*, note 2.

⁶ Apart from the introduction of 'absolute protection' in cases of sign and prod-

tity (an identical sign used for an identical product), this risk of confusion may be deemed so obvious that it can be presumed.⁷ However, this presumption must not be misunderstood as a departure from the general requirement to show that confusion is likely to arise from the use at issue.

Given these clear conceptual contours of traditional trademark protection against confusion, it is not surprising that agreement on this limited scope of protection was reached in the European Union. By virtue of Art. 5(1) of the Trademark Directive (TMD),⁸ the grant of this basic protection is mandatory in all EU Member States. It gives trademark owners limited control over communication concerning their marks – control that only covers the identification and distinction of the goods or services they offer in the marketplace. According to the CJEU, the condition of a likelihood of confusion may be satisfied where the public confuses the sign and the mark in question (direct confusion), or where the public makes a connection between the proprietors of the sign and those of the mark and confuses them (indirect confusion).⁹

uct identity (which will be dealt with below), this basic requirement is clearly reflected in Recital 11 of the EU Trademark Directive:

The likelihood of confusion, the appreciation of which depends on numerous elements and, in particular, on the recognition of the trade mark on the market, the association which can be made with the used or registered sign, the degree of similarity between the trade mark and the sign and between the goods or services identified, should constitute the specific condition for such protection.

⁷ At the international level, this concept of presuming a likelihood of confusion in cases of double identity is clearly reflected in Art. 16(1) TRIPS:

The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed.

⁸ Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008, to approximate the laws of the Member States relating to trade marks (codified version) (OJ 2008 L 299, 25), which entered into force on 28 November 2008, and repealed the earlier Directive 89/104/EEC of the Council of 21 December 1988.

⁹ See CJEU, 11 November 1997, case C-251/95, *Puma/Sabel*, paras 16–26. For an overview of the EU approach to anti-confusion protection, see G. Würtenberger (2002), 'Risk of Confusion and Criteria to Determine the Same in European Community Trade Mark Law', *EIPR* 20. For critical comments on the need for additional anti-dilution protection, see J.T. McCarthy (2004), 'Dilution of a Trademark: European and United States Law Compared', *The Trademark Reporter*, 94, 1163, 1170–2, online available at <http://ssrn.com/abstract=1350045>.

Moreover, trademarks with a particularly distinctive character may give rise to a greater likelihood of confusion.¹⁰ The EU concept also covers post sale confusion that might arise after the place of purchase with a clear notice concerning the commercial origin of goods has been left.¹¹

2. EXTENSIONS

In all these cases, EU protection against confusion can be understood to serve the rather defensive purpose of preventing competitors from use that would interfere with the basic communication of information about the commercial origin of goods and services offered by the trademark owner. It is this prevention of confusing use that constitutes the core rationale of protection.¹² Nonetheless, the exclusive rights necessary for ensuring protection against confusion can be used strategically by the trademark owner to realize additional benefits. To allow trademarks to convey reliable information on the commercial origin of goods or services, it is indispensable to reserve use of the trademark exclusively for the trademark owner in all market segments where use of identical or similar signs could lead to confusion.¹³ As a result, the

¹⁰ CJEU, 11 November 1997, case C-251/95, *Puma/Sabel*, para. 24. The degree of distinctiveness is one of the factors to be considered in the framework of the infringement analysis. See CJEU, 29 September 1998, case C-39/97, *Canon/Cannon*; CJEU, 22 June 1999, case C-342/97, *Lloyd/Loint's*.

¹¹ See CJEU, 12 November 2002, case C-206/01, *Arsenal/Reed*, para. 57, with regard to cases of double identity.

¹² For an alternative view, emphasizing the attention devoted to the trademark owner's interest in exploiting brand value in the context of protection against confusion, see T. Cohen Jehoram and H. Van Helden (2011), 'Bekend, bekender, bekendst: Goodwill-bescherming van merken', in Benelux Office for Intellectual Property (ed.), *In Varietate Concordia? National and European Trademarks Living Apart Together*, The Hague: Benelux Office for Intellectual Property, 111; M. Buydens, 'Pouvoir distinctif de la marque et risque de confusion: larvatus prodeo?', in Benelux Office for Intellectual Property, *ibid*, p. 33; A.A. Quaadvlieg (2007), 'Verwaterd of verward, een kwestie van bekendheid?', in D.J.G. Visser and D.W.F. Verkade (eds.), *Een eigen, oorspronkelijk karakter – Opstellen aangeboden aan prof. mr. Jaap H. Spoor*, Amsterdam: DeLex, p. 275.

¹³ In the case of collective trademarks, this exclusive reservation of a sign concerns an association of enterprises who use the trademark in trade. The basic mechanism, however, remains unchanged. The information conveyed via the trademark, by contrast, will focus on certain product characteristics rather than one particular commercial origin. Cf. A. Peukert (2011), 'Individual, Multiple and Collective Ownership of Intellectual Property Rights – Which Impact on Exclusivity?', in A. Kur and V. Mizaras (eds), *The Structure of Intellectual Property Law: Can One Size Fit All?*, Cheltenham UK and Northampton, MA: Edward Elgar Publishing, online available at <http://ssrn.com/abstract=1563990>.

trademark owner obtains an exclusive channel of communication in several areas of the market. In principle, only the enterprise holding trademark rights is entitled to convey information to consumers via the trademark in this protected area.¹⁴

Through investment in advertising, the trademark owner can easily use this exclusive communication channel to add messages that are unrelated to the underlying objective of ensuring accurate information about the commercial source of goods or services. In particular, an enterprise can start advertising campaigns to teach consumers to associate a certain attitude or lifestyle with the trademark.¹⁵ The moment a trademark ‘speaks’ to consumers about a particular image that can be associated with the trademarked product, consumers no longer simply buy products from a particular source. They also buy the respective ‘trademark experience’ and ‘brand image.’¹⁶

Inevitably, the exclusive rights necessary to ensure protection against confusion, therefore, also protect the investment made in the creation of a favourable trademark image. Basic protection against confusion safeguards the exclusive link between an enterprise and its trademark. In this way, it also offers legal security for substantial investment in the evocation of brand-related associations in the minds of consumers. The WTO Panel dealing with EC protection for trademarks and geographical indications for agricultural products and foodstuffs described this protection reflex as follows:

The function of trademarks can be understood by reference to Article 15.1 [TRIPS] as distinguishing goods and services of undertakings in the course of trade. Every trademark owner has a legitimate interest in preserving the distinctiveness, or capacity to distinguish, of its trademark so that it can perform that function. This

¹⁴ As in other fields of intellectual property protection, it is indispensable to set certain limits to the exclusive rights of trademark owners. The principle of an exclusive communication channel, therefore, is limited in several respects. See the general limitations set forth in Art. 6 TMD. With regard to comparative advertising, see CJEU, 12 June 2008, case C-533/06, *O2/Hutchison*, para. 45; CJEU, 18 June 2009, case C-487/07, *L'Oréal/Bellure*, para. 54.

¹⁵ Cf. R.S. Brown (1999), ‘Advertising and the Public Interest: Legal Protection of Trade Symbols’, *Yale Law Journal*, **108**, 1619, 1619–20; K.H. Fezer (2003), ‘Entwicklungslinien und Prinzipien des Markenrechts in Europa – Auf dem Weg zur Marke als einem immaterialgüterrechtlichen Kommunikationszeichen’, *Gewerblicher Rechtsschutz und Urheberrecht*, 457, 461–2; S. Casparie-Kerdel (2001), ‘Dilution Disguised: Has the Concept of Trade Mark Dilution Made its Way into the Laws of Europe?’, *EIPR*, , 185, 185–6; M. Lehmann (1986), ‘Die wettbewerbswidrige Ausnutzung und Beeinträchtigung des guten Rufs bekannter Marken, Namen und Herkunftsangaben – Die Rechtslage in der Bundesrepublik Deutschland’, *Gewerblicher Rechtsschutz und Urheberrecht International*, 6, 14–17.

¹⁶ See J.E. Schroeder (2008), ‘Brand Culture: Trade Marks, Marketing and Consumption’, in Bently, Davis and Ginsburg, *supra* note 3, p. 161.

includes its interest in using its own trademark in connection with the relevant goods and services of its own and authorized undertakings. Taking account of that legitimate interest will also take account of the trademark owner's interest in the economic value of its mark arising from the reputation that it enjoys and the quality that it denotes.¹⁷

The WTO Panel was not called upon to discuss the protection of trademark reputation and brand image in more detail. It could content itself with the indication of a connection between the protection of trademark distinctiveness and trademark repute. The delicate question to be answered in advanced trademark protection systems, such as the EU system, however, is whether – in addition to the described protection reflex inherent in basic protection against confusion – the creation of a brand image should additionally be rewarded with enhanced protection covering cases of dilution.¹⁸ In other words: does the marketing effort made by the trademark owner justify an additional layer of protection against dilution besides the basic protection against confusion?

The problem with this additional layer of protection is that the creation of a brand image is a selfish endeavour. When a trademark triggers a whole bundle of lifestyle messages and positive associations, the trademark experience itself becomes an independent product for which consumers are willing to pay. Realizing the economic potential of the trademark, the brand owner will seek protection for the brand image as such.¹⁹ Once sufficient protection is acquired, the marketing and commercialization of the brand can easily be extended to additional products. The owner of a prestigious clothing brand, for

¹⁷ See WTO Panel, 15 March 2005, WTO Document WT/DS174/R, para. 7.664, based on a complaint by the US. A second and almost identical report, WTO Document WT/DS290/R, deals with a parallel complaint by Australia. The reports are online available at www.wto.org. For a discussion of the reports, see M.R.F. Senftleben (2006), 'Towards a Horizontal Standard for Limiting Intellectual Property Rights? – WTO Panel Reports Shed Light on the Three-Step Test in Copyright Law and Related Tests in Patent and Trademark Law', IIC, **37**, 407, online available at <http://ssrn.com/abstract=1723871>.

¹⁸ With regard to the basis of this discussion in trademark law, see F.I. Schechter (1927), 'The Rational Basis of Trademark Protection', *Harvard Law Review*, **40**, 813. With regard to current problems, see Casparie-Kerdel, *supra* note 15; McCarthy, *supra* note 9; Senftleben, *supra* note 4; G. Bonet (2010), 'La protection de l'image de la marque dans la jurisprudence de la Cour de Justice', in C. Geiger and J. Schmidt-Szalewski (eds), *Les défis du droit des marques au XXI^e siècle*, Strasbourg: Litec, p. 105; G.B. Dinwoodie, M.D. Janis (2006), 'Dilution's (Still) Uncertain Future', *Michigan Law Review First Impressions*, **105**, 98.

¹⁹ See the position taken by the US Supreme Court, *Moseley v V Secret Catalogue* ('Victoria's Secret'), 537 U.S. 418 (2003): '[u]nlike traditional infringement law, the prohibitions against trademark dilution are not the product of common-law development, and are not motivated by an interest in protecting consumers.'

instance, may consider also selling jewellery and perfume under the trademark or decide to grant licences for this purpose. Through product diversification of this type, the revenue accruing from the creation of a powerful brand can be maximized.²⁰

As a result of these marketing strategies, trademark rights lose their defensive nature. Seeking enhanced protection against dilution, the brand owner asks for control over the use of the trademark across all markets and regardless of whether there is a likelihood of confusion. This brings anti-dilution rights close to exploitation rights. However, unlike other intellectual property owners enjoying exploitation rights, such as inventors and authors, the brand owner cannot validly claim to have created intellectual property that furthers science or art. The trademark does not even fall into the public domain after a limited period of time. By contrast, brand protection is protection of investments that are made to improve an enterprise's market position. It is not evident that this selfish investment decision also furthers the overall welfare of society.

Against this background, it is unclear why trademark law should offer brand exploitation rights.²¹ Typical rationales underlying the grant of exploitation rights in intellectual property law, such as the incentive rationale and the reward rationale, are inapplicable in this context. It is not obvious that the extra incentive of brand exploitation rights is needed to spur investment in brand creation. In fact, there is little evidence of any need for brand image creation in society that would justify the invocation of this rationale and an extra incentive for brand image creators.²² By contrast, it may be argued that

²⁰ The result of these marketing efforts, however, is 'self-dilution'. As the trademark owner herself engages in the establishment of links with additional products, she could hardly care less about the immediate association of the mark with a specific product in the minds of consumers. Cf. S. Stadler Nelson (2003), 'The Wages of Ubiquity in Trademark Law', *Iowa Law Review*, **88**, 731.

²¹ For a detailed analysis of potential justifications, see W. Sakulin (2010), *Trademark Protection and Freedom of Expression – An Inquiry into the Conflict between Trademark Rights and Freedom of Expression under European Law*, The Hague, London and New York: Kluwer Law International, pp. 35–67, who also casts doubt upon the justificatory basis of protection against dilution. Proponents of brand image protection in the framework of trademark law particularly point to the effort and financial expenses made by the brand owner. For instance, see A. Breitschaft (2009), 'Intel, Adidas & Co – Is the Jurisprudence of the European Court of Justice on Dilution Law in Compliance with the Underlying Rationales and Fit for the Future?', *EIPR*, 497, 499. Considering the costs for society involved in the grant of brand image protection – in particular restrictions of freedom of expression and freedom of competition – this fact alone, however, can hardly be deemed sufficient for the grant of broad exclusive rights.

²² See D. Scott, A. Oliver and M. Ley-Pineda, 'Trade Marks as Property: a

seductive lifestyle messages conveyed by a trademark distract from a product's genuine qualities, thereby rendering consumers' buying decisions less objective and depriving the trader with the objectively best offer of corresponding market success.²³ Potential economic arguments, such as the facilitation of competition in mature markets and the enhancement of product popularity, are outweighed by social and cultural concerns about the privatization of words and phrases.²⁴

The reward argument hardly offers stronger support.²⁵ Admittedly, it is the trademark owner who spent time and money on the creation of a particular brand image. Feelings of rightness and justice, therefore, suggest that the result of these efforts be due to her. Comparing brand image with other intellectual creations, however, it becomes doubtful whether the trademark owner deserves this reward. Whereas works and inventions contribute to mankind's treasury of cultural expression and technical knowledge once they fall into the public domain, a trademark carrying a particular brand image can be monopolized *ad infinitum* by the trademark owner by constantly renewing registration. As emphasized above, the investment in the creation of a brand image remains an individual, selfish marketing decision for which the trademark owner cannot necessarily expect a reward from society as a whole.²⁶

Philosophical Perspective', in Bently, Davis and Ginsburg, *supra* note 3, pp. 285, 296–7, who consider product differentiation, facilitation of consumer choice and incentives to purchasing and, nevertheless, reject utilitarian arguments. Cf. M.A. Lemley (1999), 'The Modern Lanham Act and the Death of Common Sense', *Yale Law Journal* **108**, 1687, 1694–6; R.S. Brown (1999), 'Advertising and the Public Interest: Legal Protection of Trade Symbols', *Yale Law Journal*, **108**, 1619, 1622–34.

²³ See Brown, *ibid*, 1635–7, who points out that '[t]he classical economists who enthroned the consumer never dreamed that he would make his decisions under a bombardment of stupefying symbols.' However, see also the economic analysis conducted by R. van den Bergh and M. Lehmann (1992), 'Informationsökonomie und Verbraucherschutz im Wettbewerbs- und Warenzeichenrecht', *Gewerblicher Rechtsschutz und Urheberrecht International*, 588, 589–93).

²⁴ See Strasser, *supra* note 3, 389–90 and 412–14, on the one hand, and Lemley, *supra* note 22, 1694–8; R. Cooper Dreyfuss (1996), 'We Are Symbols and Inhabit Symbols, so should we be Paying Rent? Deconstructing the Lanham Act and Rights of Publicity', *Columbia-VLA Journal of Law & Arts*, **20**, 123, 128, on the other hand.

²⁵ For an analysis of Lockean justification models, see Scott, Oliver and Ley-Pineda, *supra* note 22, pp. 297–305; Sakulin, *supra* note 21, pp. 63–6.

²⁶ Cf. B. Beebe (2006), 'A Defense of the New Federal Trademark Antidilution Law', *Fordham Intellectual Property, Media & Entertainment Law Journal*, **16**, 1143, 1159, stating that a court 'should not grant antidilution protection to reward – i.e., to promote – spending on advertising, just as it should not grant such protection in recognition of something like the plaintiff's good faith in trying as hard as it can to make its mark famous.'

With classical rationales being unavailable in the case of brand exploitation rights, law and policy makers in the field of trademark law should be cautious with regard to the extension of trademark protection beyond the traditional field of protection against confusion. Not surprisingly, the legal framework set forth in the EU Trademark Directive includes several safeguards against inappropriately broad protection in this area. For EU Member States, the grant of enhanced protection against dilution is optional under Art. 5(2) TMD. If the provision is implemented into national law,²⁷ the brand owner still has to surmount several hurdles to obtain protection. Besides the obligation to satisfy the general protection requirements of use in the course of trade and use in relation to goods or services, the brand owner must show that her trademark has a reputation, and that a conflicting sign is used in a way that takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark. Moreover, Art. 5(2) TMD provides for a flexible defence of ‘due cause’ to counterbalance the grant of anti-dilution protection.

With these safeguards, the EU trademark system seems unlikely to succumb to the temptation of granting unjustified brand exploitation rights. The phalanx of infringement criteria clearly indicates that the mere use of a sign similar to a mark with a reputation is not intended to give rise to an infringement action based on dilution. Anti-dilution protection should not readily be awarded whenever a sign calling to mind a mark with a reputation is used in some area of the market. Otherwise, the brand owner would obtain an exclusive right that, *de facto*, can be equated with exploitation rights conferred in copyright and patent law. Instead, the conditions laid down in Art. 5(2) TMD call upon courts in the EU to embark on a careful case-by-case analysis to ascertain whether the individual circumstances of the case brought before them justify anti-dilution protection.²⁸

3. EXCESSES

The CJEU, however, is reluctant to follow this cautious approach. Instead of seeking to give individual meaning to the various protection requirements, the Court seems determined to systematically lower the threshold for anti-dilution protection and cut up the safety net of infringement criteria that was tied to prevent overbroad brand image protection. Step by step, the Court has relaxed

²⁷ In fact, all EU Member States implemented Art. 5(2) TMD in their national trademark laws. On the basis of this provision, anti-dilution protection is thus available throughout the European Union.

²⁸ For a more detailed discussion of an approach avoiding an unjustified protection automatism in EU trademark law, see Senftleben, *supra* note 4, 59–64.

the applicable protection requirements in recent years.²⁹ As a result, anti-dilution rights in the EU come closer and closer to unjustified brand exploitation rights. Brand owners may soon be able to invoke anti-dilution protection to control any use of signs similar to a mark with a reputation in trade.

Under the aegis of the CJEU, the general protection requirements of use in the course of trade³⁰ and use in relation to goods or services do not constitute substantial hurdles for trademark owners seeking protection. In particular, the requirement of use in relation to goods or services is applied flexibly by the CJEU.³¹ In principle, this general prerequisite for protection could be understood to require 'use as a trademark'. It may be applied to confine the scope of trademark rights to instances where another's trademark is employed as an identifier of commercial source with regard to one's own goods or services.³² Following this approach, access to trademark protection could be contained from the outset.³³ The entrance requirement of trademark use would already serve as a filter to exclude claims that are unrelated to the identification and distinction of goods and services. Nonetheless, this notion of trademark use

²⁹ In particular, see CJEU, 14 September 1999, case C-375/97, *General Motors v Yplon* ('Chevy'); 23 October 2003, case C-408/01, *Adidas/Fitnessworld*; 18 June 2009, case C-487/07, *L'Oréal/Bellure*.

³⁰ Use of a trademark constitutes use in the course of trade in the EU where it occurs 'in the context of commercial activity with a view to economic advantage and not as a private matter.' See CJEU, 23 March 2010, cases C-236/08-238/08, *Google/Louis Vuitton et al.*, para. 50; CJEU, 12 November 2002, case C-206/01, *Arsenal/Reed*, para. 40.

³¹ For an overview of developments in this area, see A. Kur (2008), 'Confusion Over Use? Die Benutzung "als Marke" im Lichte der EuGH-Rechtsprechung', *Gewerblicher Rechtsschutz und Urheberrecht International*, 1, 11.

³² CJEU, 25 January 2007, case C-48/05, *Opel/Autec*, para. 24, pointed in this direction. The course adopted in this judgment, however, was not followed in further decisions. Cf. P.J. Yap (2009), 'Essential Function of a Trade Mark: From BMW to O2', *EIPR*, 81, 86–7.

³³ With regard to similar proposals in the US, see S.L. Dogan and M.A. Lemley (2008), 'The Trademark Use Requirement in Dilution Cases', *Santa Clara Computer & High Technology Law Journal*, 24, 541, 542: 'By maintaining the law's focus on misleading branding, the trademark use doctrine keeps trademark law true to its ultimate goal of promoting competitive markets.' However, see also G.B. Dinwoodie and M.D. Janis (2007), 'Confusion Over Use: Contextualism in Trademark Law', *Iowa Law Review*, 92, 1597, 1657–8, doubting that problems arising in the current 'expansionist climate' could be solved by recalibrating the notion of trademark use: 'Trademark use is simply too blunt a concept, no matter how defined, to capture the full range of values at play in these debates.' For a summary of the debate, see M. Davison and F. Di Giandomasso (2009), 'Use as a Trade Mark: Avoiding Confusion When Considering Dilution', *EIPR*, 443. With regard to the EU, see Kur, *supra* note 31, who warns of limiting trademark protection from the outset on the basis of a restrictive notion of trademark use, in particular with regard to Community trademarks.

would cover instances of dilution where harm to a mark with a reputation flows from a conflicting sign used by a third party as a source identifier. In the 1975 landmark *Claeryn/Klarein* decision of the Benelux Court of Justice – an important source for the later harmonized EU anti-dilution regime – use of the sign KLAREIN as a source identifier for a cleaning detergent gave rise to an infringement action based on dilution because it was similar to the well-known gin trademark CLAERYN and encroached upon that trademark’s ‘potential for raising a desire to buy’.³⁴

Instead of sharpening the conceptual contours of trademark use in this way, the CJEU has constantly weakened this general protection requirement. The Court found use for the purpose of informing the public about repair and maintenance services offered with regard to trademarked products to constitute relevant trademark use.³⁵ The CJEU also qualified use in comparative advertising as trademark use on the grounds that the advertiser made use of a competitor’s trademark to distinguish her own products from those of the competitor.³⁶ Summarizing the notion of trademark use, the Court held that for satisfying the requirement of trademark use, it was sufficient that a link was established with the trademark.³⁷ As a result, the basic requirement of trademark use does not prevent trademark owners from asserting their rights against references to the trademark even though the public does not perceive these references as an indication of commercial source. By contrast, referential use is brought within the reach of the exclusive rights of trademark owners.

³⁴ See Benelux Court of Justice, 1 March 1975, case A74/1, *Claeryn/Klarein*, published in *Nederlandse Jurisprudentie* 1975, 472; *Ars Aequi* 1977, 664; *Bijblad bij de Industriële Eigendom* 1975, 183. Cf. Casparie-Kerdel, *supra* note 15, 189–90. See also Opinion of Advocate General Jacobs, 10 July 2003, concerning CJEU, case C-408/01, *Adidas/Fitnessworld*, para. 38, stating that ‘the concept of detriment to the repute of a trade mark [...] describes the situation where – as it was put in the well-known *Claeryn/Klarein* decision of the Benelux Court of Justice – the goods for which the infringing sign is used appeal to the public’s senses in such a way that the trade mark’s power of attraction is affected.’

³⁵ See CJEU, 23 February 1999, case C-63/97, *BMW/Deenik*, para. 42. For an overview of the development of the trademark use requirement in CJEU jurisprudence, see Kur, *supra* note 31.

³⁶ See CJEU, 12 June 2008, case C-533/06, *O2/Hutchison*, paras 35–6. As to keyword advertising on the basis of services offered by a search engine, use of a competitor’s trademark as a keyword for a sponsored link with one’s own advertising has been found to constitute trademark use on similar grounds. See CJEU, 23 March 2010, cases C-236/08–238/08, *Google/Louis Vuitton et al.*, para. 71.

³⁷ See CJEU, 19 February 2009, case C-62/08, *UDV/Brandtraders*, para. 47. The emphasis on the criterion of a mere link with the goods or services offered under a conflicting sign was particularly confirmed in cases dealing with keyword advertising. See CJEU, 23 March 2010, cases C-236/08–238/08, *Google/Louis Vuitton et al.*, para. 72; 12 July 2011, case C-324/09, *L’Oréal/eBay*, para. 92.

In the case of marks with a reputation, even decorative use that merely calls to mind the protected trademark may be held to constitute relevant trademark use on the basis of CJEU jurisprudence. The case ‘Lila Postkarte’ of the German Federal Court of Justice, for instance, concerned the marketing of postcards that alluded ironically to trademarks and advertising campaigns of the chocolate producer Milka. On purple background corresponding to Milka’s abstract colour mark, the postcard sought to ridicule the nature idyll with cows and mountains that is evoked in Milka advertising. It showed the following poem attributed to ‘Rainer Maria Milka’:

Über allen Wipfeln ist Ruh,
irgendwo blökt eine Kuh.
Muh!³⁸

Assessing this ironic play with Milka insignia, the German Federal Court of Justice confirmed the broad notion of trademark use following from the jurisprudence of the CJEU.³⁹ It held that for the use of Milka trademarks to constitute trademark use in the sense of Art. 5(2) TMD, it was sufficient that the postcard called to mind the well-known Milka signs.⁴⁰ In spite of being decorative, the use in question therefore gave rise to the question of trademark infringement. Accordingly, the German Federal Court of Justice embarked on a scrutiny of the trademark parody in the light of the infringement criteria of detriment to distinctive character or repute, and the taking of unfair advantage. Weighing Milka’s concerns about a disparagement of the trademarks against the fundamental guarantee of the freedom of art, the Court finally concluded that the freedom of art had to prevail in light of the ironic statement made with the postcard.⁴¹ The use of Milka trademarks was found to have taken place with ‘due cause’ in the sense of Art. 5(2) TMD.⁴²

³⁸ ‘It is calm above the tree tops, somewhere a cow is bellowing. Moo!’ The attribution to ‘Rainer Maria Milka’ is an allusion to the famous German writer Rainer Maria Rilke. See German Federal Court of Justice, 3 February 2005, case I ZR 159/02, *Gewerblicher Rechtsschutz und Urheberrecht* 2005, 583, *Lila Postkarte*, online available at www.bundesgerichtshof.de. Cf. C. Born (2006), ‘Zur Zulässigkeit einer humorvollen Markenparodie – Anmerkungen zum Urteil des BGH “Lila Postkarte”’, *Gewerblicher Rechtsschutz und Urheberrecht*, 192.

³⁹ See the reference to CJEU, 23 October 2003, case C-408/01, *Adidas/Fitnessworld*, para. 39, in the decision *Lila Postkarte* of the German Federal Court of Justice, *supra* note 38, 584. With regard to the qualification of decorative use as relevant trademark use, see also Kur, *supra* note 31, 5–6.

⁴⁰ See German Federal Court of Justice, *supra* note 38, 584.

⁴¹ See German Federal Court of Justice, *supra* note 38, 584–5. For a further case in which freedom of speech prevailed over trademark protection, see German Federal Court of Justice, 11 March 2008, case VI ZR 7/07, *Neue Juristische Wochenschrift* 2008, 2110, *Gen-Milch*, online available at www.bundesgerichtshof.de.

⁴² German Federal Court of Justice, *supra* note 38, 585.

Examples of this kind show that, with jurisprudence encouraging the inclusion of referential and decorative use in an elastic concept of trademark use, the CJEU has opened the doors wide to trademark protection.⁴³ Trademark rights become generally available when a protected sign is used in the context of presenting or discussing goods or services. This general control over communication involving a trademark paves the way for the extension of trademark rights to exploitation rights comparable to those conferred in copyright and patent law. The mere use of a trademark in some relation to goods or services is sufficient to lodge an infringement claim.⁴⁴ In the Milka case, for instance, the infringement action could not be stopped at an early stage by holding that the use did not constitute actionable trademark use. Instead, the parodist had to invoke the defence of due cause and argue the case in several instances until the German Federal Court of Justice took a final decision.

Admittedly, the CJEU need not necessarily employ the basic requirement of use in relation to goods or services as a means to draw clear boundary lines of trademark protection in the EU. The general requirement of trademark use is followed by several more specific conditions. As indicated above, a brand owner seeking protection under Art. 5(2) TMD must also show that her trademark has a reputation. This further protection requirement only applies in the specific context of anti-dilution protection. Therefore, it could be embraced by the CJEU as a tool to regulate access to this problematic enhanced layer of protection. With a nuanced concept of reputation, the Court could ensure that anti-dilution protection is awarded only if a trademark has a brand image that is likely to be harmed or unfairly exploited because of its particular value and attractiveness. The requirement of 'having a reputation' could become an important eligibility criterion in the case of brand owners seeking protection against dilution.

⁴³ The requirement of trademark use is even less relevant in EU Member States that, in line with Art. 5(5) TMD extend trademark protection to forms of use 'other than for the purposes of distinguishing goods or services'. In these Member States, not only the requirement of 'use in the course of trade' but also the requirement of 'use in relation to goods or services' does not apply in this area of extended protection. See Art. 2.20(1)(d) of the Benelux Treaty Concerning Intellectual Property. Cf. T. Cohen Jehoram, C.J.J.C. van Nispen and J.L.R.A. Huydecoper (2008), *Industriële eigendom – Deel 2: Merkenrecht*, Deventer: Kluwer, 366–7; C. Gielen (2007), 'Merkenrecht', in C. Gielen (ed.), *Kort begrip van het intellectuele eigendomsrecht*, Deventer: Kluwer, pp. 256 and 286–7.

⁴⁴ This risk of creating an automatism of property claims ('Eigentumslogik') is also pointed out by proponents of an elastic notion of trademark use. See Kur, *supra* note 31, 12. For similar concerns expressed against the background of developments in the US, see S.L. Dogan and M.A. Lemley (2008), 'Grounding Trademark Law Through Trademark Use', *Trademark Reporter*, **98**, 1345.

Instead of establishing an appropriate test that regulates eligibility for anti-dilution protection, the threshold for assuming that a trademark has the necessary reputation is remarkably low in the EU. In *Chevy*, the Court explained that ‘the market share held by the trade mark’ and ‘the size of the investment made by the undertaking in promoting it’ had to be taken into account in this context.⁴⁵ However, the Court also explained that:

[t]he public amongst which the earlier trade mark must have acquired a reputation is that concerned by that trade mark, that is to say, depending on the product or service marketed, either the public at large or a more specialized public, for example traders in a specific sector.⁴⁶

Moreover, the Court clarified that:

[t]he degree of knowledge required must be considered to be reached when the earlier mark is known by a significant part of the public concerned by the products or services covered by that trade mark.⁴⁷

This clarification shows that the Court considers knowledge among the individual target group of the product concerned sufficient, even though this target group may be a specialized public in the case of specific products or services. The Court favours a niche reputation approach. Further findings in *Chevy* confirm this conclusion. In respect of the necessary territorial expansion of the mark’s reputation, the Court held the view that:

[i]n the absence of any definition [in Art. 5(2) TMD] in this respect, a trade mark cannot be required to have a reputation ‘throughout’ the territory of the Member State. It is sufficient for it to exist in a substantial part of it.⁴⁸

Hence, the CJEU follows a niche reputation approach focusing on knowledge among a significant part of a potentially specialized public in a substantial part of an EU Member State. Introducing this low standard, the Court is far from exerting efficient access control on the basis of the reputation requirement. Instead of actively regulating access to enhanced protection against dilution, the door to anti-dilution rights is kept wide open.⁴⁹ Not only the general

⁴⁵ See CJEU, 14 September 1999, case C-375/97, *General Motors v Yplon* (*Chevy*), para. 27.

⁴⁶ CJEU, *ibid*, para. 24.

⁴⁷ CJEU, *ibid*, para. 26.

⁴⁸ CJEU, *ibid*, para. 28. In respect of the territorial expansion required in the case of Community trademarks, see CJEU, 6 October 2009, case C-301/07, *Pago/Tirolmilch*, paras 29–30.

⁴⁹ Cf. the critique by F. Pollaud-Dulian (2001), ‘Marques de renommée: Histoire de la dénaturation d’un concept’, *Propriétés intellectuelles*, 43.

requirement of trademark use but also the specific eligibility criterion of ‘having a reputation’ is virtually eroded instead of being employed to keep trademark protection within reasonable limits.

The erosion of a further prerequisite for protection seems inevitable in the context of anti-dilution protection. As pointed out above, traditional protection against confusion requires some likelihood of confusion. Protection against dilution, however, is not primarily concerned with the prevention of confusing use. It aims at preserving the particular distinctive character and the repute of marks with a reputation. A trademark’s particular distinctive character or repute, however, may be harmed or unfairly exploited without causing a risk of confusion. The mere allusion to the mark with a reputation can be sufficient. Accordingly, the CJEU adopted an elastic association test in *Adidas/Fitnessworld*. In line with this ruling, enhanced protection against dilution becomes available when a competing sign calls to mind a mark with a reputation.⁵⁰

After this erosion of safeguards against overbroad brand image protection, the seemingly robust edifice of EU infringement criteria is about to crumble. To obtain protection against dilution, however, the brand owner still must provide evidence that the conflicting use takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the mark with a reputation. This remaining condition constitutes the last bastion against overbroad brand image exploitation rights. Against this background, the decision *Intel/CPM* gave hope that the CJEU would defend at least this remaining barrier. With regard to proof of detriment to the distinctive character of a mark with a reputation, the Court required:

evidence of a change in the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered consequent on the use of the later mark, or a serious likelihood that such a change will occur in the future.⁵¹

From a practical perspective, one may wonder how the required ‘evidence of a change in the economic behaviour of the average consumer’ can ever be produced.⁵² Considering the need to balance protection, however, it is consistent

⁵⁰ See CJEU, 23 October, 2003, case C-408/01, *Adidas/Fitnessworld*, para. 29.

⁵¹ See CJEU, 27 November 2008, case C-252/07, *Intel/CPM*, para. 77.

⁵² Cf. A. Bouvel, ‘Marques et renommée: À propos de l’arrêt “Intel” rendu par la Cour de justice des communautés européennes le 27 novembre 2008 (aff. C-252/07)’, in Geiger and Schmidt-Szalewski, *supra* note 18, p. 123; A.A. Quaedvlieg (2009), ‘INTEL en verwatering: Economisch gedrag en juridisch bewijs’, *Bijblad bij de industriële eigendom.*, 253; A.A. Quaedvlieg (2009), ‘Herkomst- en goodwill-inbreuk in het merkenrecht na INTEL en l’Oréal’, *Ars Aequi*, 799; S. Middlemiss and S. Warner (2009), ‘The Protection of Marks with a Reputation: Intel v CPM’, *EIPR*, 326, 331–2.

to pose a difficult hurdle. With the general requirement of trademark use and the specific eligibility criterion of having a reputation being rendered meaningless, it is justified to set a high threshold when it comes to the final question of taking unfair advantage or causing detriment.

The *Intel/CPM* decision, however, was followed by the *L'Oréal/Bellure* judgment in which the CJEU lowered this final threshold substantially. Dealing with comparison lists concerning cheap imitations of well-known L'Oréal perfumes, the Court stated that a mere attempt to ride on the coat-tails of a mark with a reputation could be sufficient to assume that unfair advantage had been taken. It explained that

where a third party attempts, through the use of a sign similar to a mark with a reputation, to ride on the coat-tails of that mark in order to benefit from its power of attraction, its reputation and its prestige, and to exploit, without paying any financial compensation and without being required to make efforts of his own in that regard, the marketing effort expended by the proprietor of that mark in order to create and maintain the image of that mark, the advantage resulting from such use must be considered to be an advantage that has been unfairly taken of the distinctive character or the repute of that mark.⁵³

The fundamental change with regard to the availability of anti-dilution protection becomes apparent the moment the relationship between the different final infringement criteria is considered. The three modes of infringement – detriment to distinctive character (blurring), detriment to repute (tarnishment), unfair advantage from distinctive character or repute (free-riding) – constitute alternative conditions in accordance with Art. 5(2) TMD. By setting a low standard for the taking of unfair advantage, the Court thus creates a loophole that can be used when a showing of detriment is impossible. The brand owner who does not succeed in providing ‘evidence of a change in the economic behaviour of the average consumer’ can insist on the taking of unfair advantage instead. For this alternative basis of her claim, she merely has to argue that the defendant attempts (!) to ride on the coat-tails of the mark with a reputation.

With the creation of the coat-tail formula in *L'Oréal/Bellure*, the CJEU, therefore, abandoned the remaining bastion of final infringement criteria. Under Art. 5(2) TMD, brand owners seeking anti-dilution protection can benefit from an elastic entrance requirement of trademark use, encompassing referential and decorative use, a remarkably low eligibility criterion of having a reputation, an elastic association test of calling to mind the mark with a reputation and, finally, a flexible unfair advantage criterion that is already fulfilled

⁵³ See CJEU, 18 June 2009, case C-487/07, *L'Oréal/Bellure*, para. 49.

the moment a third party attempts to ride on the coat-tails of the mark with a reputation. Surveying these broad, elastic, and flexible conditions for protection against dilution, one can hardly deny that anti-dilution protection under Art. 5(2) TMD requires little more than showing that a conflicting sign in some area of the market triggers an association with a mark with a reputation.⁵⁴ The CJEU, therefore, has brought anti-dilution rights very close to the exploitation rights offered in copyright and patent law.

In *L'Oréal/Bellure*, however, the Court did not content itself with this remarkable step in respect of Art. 5(2) TMD. It also transformed Art. 5(1)(a) TMD into a powerful instrument for brand image protection. The provision regulates protection in cases of double identity – a sign identical to the protected trademark used for identical goods or services. In this regard, the CJEU held that, besides the essential origin function, a trademark's quality, communication, investment, and advertising functions enjoy *absolute* protection under Art. 5(1)(a) TMD.⁵⁵ These functions, however, are typically fulfilled by marks with a reputation. As elaborated above, a strong brand is capable of conveying lifestyle messages that are the result of substantial investment in advertising. Protection of a trademark's communication, investment, and advertising functions is thus protection of the investment in the creation of a favourable brand image and the brand communication based on this image.

In line with Recital 11 of the EU Trademark Directive, the CJEU assumes that the protection of these additional trademark functions under Art. 5(1)(a) TMD must be absolute. Indeed, the Recital stipulates that:

[t]he protection afforded by the registered trade mark, the function of which is in particular to guarantee the trade mark as an indication of origin, should be absolute in the case of identity between the mark and the sign and the goods or services.

⁵⁴ However, see also the practical considerations by C. Morcom (2009), 'L'Oréal v Bellure – Who Has Won?', *EIPR*, 627, 634–5: 'The law reports include many cases which demonstrate that whatever the ECJ may rule, it may be dangerous to assume that a mark is so well-known that little evidence is needed in claims invoking art. 5(2) of the Trade Marks Directive and corresponding provisions elsewhere. Perhaps Intel provides an example.' Nonetheless, the crucial point here is that the CJEU lowered the conditions for a showing of infringement under Art. 5(2) TMD substantially by providing the coat-tail formula as a vehicle to bypass the higher infringement standard developed in *Intel*. The practical difficulties with regard to sufficient evidence, therefore, have been reduced significantly.

⁵⁵ CJEU, *supra* note 53, para. 58. Cf. F. Hacker (2009), 'Funktionenlehre und Benutzungsbegriff nach 'L'Oréal'', *Markenrecht*, 333.

However, this Recital must be seen in the context of the Directive's particular structure. The drafters intended protection against confusion under Art. 5(1) TMD to be mandatory, whereas protection against dilution under Art. 5(2) TMD remained optional. The statement about absolute protection in double identity cases falling under Art. 5(1)(a) TMD, therefore, only concerns mandatory protection against confusion. Including typical functions of marks with a reputation in this system of absolute protection, the Court crossed this boundary line drawn in the Directive. As protection of marks with a reputation is optional under Art. 5(2) TMD, the protection of specific functions of these trademarks also remains optional. The protection of the specific functions of marks with a reputation under the mandatory Art. 5(1)(a) TMD encroaches upon the freedom left to EU Member States.

The *contra legem* inclusion of communication, investment, and advertising functions in Art. 5(1)(a) TMD is a further step in the transformation of trademark rights into brand exploitation instruments. According to the Court, absolute protection under Art. 5(1)(a) TMD merely requires that one of the protected functions of a trademark is 'adversely' affected by the use of an identical sign for identical goods or services.⁵⁶ It remains to be seen how the Court further develops this criterion of adverse effect.⁵⁷ Considering the continuous relaxation of infringement criteria in the field of Art. 5(2) TMD, it cannot be excluded that the threshold for a showing of adverse effect is fairly low.⁵⁸

⁵⁶ With regard to the requirement of adverse effect, see the explications given in CJEU, 23 March 2010, cases C-236/08-238/08, *Google France and Google/Louis Vuitton et al.*, paras. 75–9.

⁵⁷ It is doubtful whether the breathing space created in this way is sufficient to satisfy freedom of speech concerns. See A. Ohly (2009), 'Keyword-Advertising auf dem Weg von Karlsruhe nach Luxemburg', *Gewerblicher Rechtsschutz und Urheberrecht*, 709, 711–12; A. Kur, L. Bently and A. Ohly, 'Sweet Smells and a Sour Taste – the ECJ's L'Oréal Decision', Max Planck Institute for Intellectual Property and Competition Law Research Paper Series No. 09-12, online available at <http://ssrn.com/abstract=1492032>.

⁵⁸ However, in CJEU, 22 September 2011, case C-323/09, *Interflora/Marks & Spencer*, the Court pointed out that the advertising function would not be adversely affected simply because the trademark owner, as a result of keyword advertising, would have to intensify its own advertising to maintain or enhance its profile with consumers (para. 57). Similarly, the Court held that the investment function would not be adversely affected by keyword advertising simply because the trademark owner was obliged to adapt its efforts to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty (para. 64). These statements may be seen as an indication that the Court, in any case, is prepared to preserve some freedom of competition in the area of advertising.

An elastic test of adverse effect, however, would be even more problematic than a low threshold for anti-dilution protection under Art. 5(2) TMD. As indicated above, a flexible defence of 'due cause' is available under Art. 5(2) TMD to safeguard comparative advertising and parody. A similar balancing tool is sought in vain in Art. 5(1)(a) TMD.⁵⁹ Comparative advertising and parody almost inevitably interfere with brand communication, investment, and advertising. A biting parody impacts deeply on the way in which consumers perceive the target trademark. It is likely to have a corrosive effect on a favourable trademark image that is the result of substantial investment in advertising and product control.⁶⁰ Harm to the investment and advertising function of a trademark can also flow from comparative advertising that sheds new light on a trademark by informing consumers about better offers in the marketplace. As the product comparison interferes with the trademark communication initiated by the owner, affects prior investment in a favourable trademark image, and reduces the trademark's advertising power, it is difficult to see how advertisers could escape a finding of adverse effect under Art. 5(1)(a) TMD. The verdict of infringement seems unavoidable.⁶¹

⁵⁹ See the critique by A. Ohly (2010), 'Keyword Advertising auf dem Weg zurück von Luxemburg nach Paris, Wien, Karlsruhe und Den Haag', *Gewerblicher Rechtsschutz und Urheberrecht*, 776, 780 and 782; Hacker, *supra* note 55, 337. Cf. also Max Planck Institute for Intellectual Property and Competition Law (2011), *Study on the Overall Functioning of the European Trade Mark System*, Munich: Max Planck Institute, online available at http://ec.europa.eu/internal_market/indprop/tm/index_en.htm, para. 2.260, stating that the present state of law is unsatisfactory because of absolute protection 'in the sense that it does not depend on any balancing of interests, apart from a functional analysis.'

⁶⁰ T-shirts or cartoons parodying the trademarked Mickey Mouse drawing can serve as an example of a parody falling under Art. 5(1)(a) TMD. See the international Madrid registration no. 296478 of Mickey Mouse relating, among various other products, to printed matter (class 16) and clothing (class 25). The particulars of the registration can be consulted online at <http://www.wipo.int/ipdl/en/madrid/search-struct.jsp>. In the copyright fair use case *Campbell v Acuff Rose*, the US Supreme Court solved the problem by stating that 'when a lethal parody, like a scathing theater review, kills demand for the original, it does not produce a harm cognizable under the Copyright Act.' See *Campbell v Acuff-Rose*, 510 U.S. 569 (1994), II D. A similar denial of 'adverse effect' by the CJEU would be necessary to safeguard parody under Art. 5(1)(a) TMD.

⁶¹ However, the indications given by the Court in *Interflora/Marks & Spencer*, as explained *supra* note 58, must be considered in this context. Nonetheless, the mere presumption of confusion in double identity cases would offer more flexibility. In cases of comparative advertising meeting the requirements stated in the EC Comparative Advertisement Directive, it could be concluded that the presumption has been rebutted.

In *L'Oréal/Bellure*, the CJEU solved this dilemma by invoking the rules of the EC Comparative Advertisement Directive.⁶² Using the criteria for permissible comparative advertising as an external balancing tool, the Court arrived at the conclusion that a case of infringement would only arise where a trademark was used for the purpose of comparative advertising without all the requirements stated in the Comparative Advertisement Directive being satisfied.⁶³ To add flexibility to its overbroad system of trademark function protection under Art. 5(1)(a) TMD, the Court thus had to resort to the rules on comparative advertising outside the Trademark Directive. Whether the Court will make similar efforts for parodists remains to be seen. In any case, the developments in the area of Art. 5(1)(a) TMD confirm the Court's intention to give brand owners rather general control over any communication involving their marks with a reputation. Besides flexible anti-dilution protection under Art. 5(2) TMD, they can rely on protection under Art. 5(1)(a) TMD that only requires a showing of adverse effect on brand communication, investment, and advertising.

4. NEW TECHNOLOGIES

After this excessive broadening of brand protection, it is an open question how the CJEU will adapt trademark law to new technologies. The Internet, bringing along the challenge of keyword advertising, may have a mitigating effect on the further development of trademark protection in the EU. In particular, it allows the CJEU to reconsider the balance between trademark protection and fundamental freedoms, such as freedom of expression and freedom of competition.⁶⁴ It is obvious that the extension of trademark rights in recent years

⁶² The Court dealt with the Misleading Advertisement Directive 84/450 of 10 September 1984, as amended by the Comparative Advertisement Directive 97/55 of 6 October 1997. These two Directives are now consolidated in the Misleading and Comparative Advertisement Directive 2006/114/EC of 12 December 2006.

⁶³ See CJEU, 18 June 2009, case C-487/07, *L'Oréal/Bellure*, paras 54 and 65.

⁶⁴ With regard to the mitigating effect of fundamental rights on intellectual property protection regimes, see C. Geiger (2008), 'The Constitutional Dimension of Intellectual Property', in L.C. Torremans (ed.), *Intellectual Property and Human Rights*, The Hague, London and New York: Kluwer Law International, p. 101; L.R. Helfer (2007), 'Toward a Human Rights Framework for Intellectual Property', *University of California, Davis Law Review*, **40**, 971, online available at <http://ssrn.com/abstract=891303>; T. Mylly (2005), 'Intellectual Property and Fundamental Rights: Do They Interoperate?', in N. Bruun (ed.), *Intellectual Property Beyond Rights*, Helsinki: WSOY, p. 185; C. Geiger (2004), 'Fundamental Rights, a Safeguard for the Coherence of Intellectual Property?', *IIC*, **35**, 268.

endangers artistic and commercial freedom of expression and information.⁶⁵ As explained above, the Court included referential and decorative trademark use in its flexible concept of trademark use. As a result, trademark rights can be asserted against mere references to a protected sign even though these references are not perceived as an indication of commercial origin by the public. With this approach, references to trademarks in comparative advertising and parody have become actionable under EU trademark law. Given the elastic infringement tests applied by the Court in the context of Art. 5(2) and 5(1)(a) TMD, they may easily amount to infringement. Under these circumstances, sufficient breathing space for freedom of speech and freedom of competition depends on appropriate defences that are scarce at least in the case of Art. 5(1)(a) TMD.

The Advocates General (AG) in keyword advertising cases openly address this dilemma in opinions concerning trademark use in the digital environment. The need to strike a proper balance between trademark protection and freedom of expression and competition has become a recurring theme. In his opinion in *Google France*, AG Poiares Maduro underlined the importance of appropriate counterbalances in the light of broad brand protection:

Nevertheless, whatever the protection afforded to innovation and investment, it is never absolute. It must always be balanced against other interests, in the same way as trade mark protection itself is balanced against them. I believe that the present cases call for such a balance as regards freedom of expression and freedom of commerce.⁶⁶

Similarly, AG Jääskinen urged the Court in his opinion in *L'Oréal/eBay* not to forget:

that the listings uploaded by users to eBay's marketplace are communications protected by the fundamental rights of freedom of expression and information provided by Article 11 of [the] Charter of Fundamental Rights of the EU and Article 10 of the European Convention on Human Rights.⁶⁷

⁶⁵ With regard to the digital environment, cf. Dogan and Lemley, *supra* note 40, 1372–3. See also R. Tushnet (2008), 'Gone in Sixty Milliseconds: Trademark Law and Cognitive Science', *Texas Law Review*, **86**, 507, pointing out that even a minimalist anti-dilution statute is likely to impact deeply on freedom of speech.

⁶⁶ See AG Poiares Maduro, opinion of 22 September 2009, cases C-236/08–238/08, *Google France and Google/Louis Vuitton et al.*, para. 102.

⁶⁷ See AG N. Jääskinen, opinion of 9 December 2010, case C-324/09, *L'Oréal/eBay*, para. 49. For an overview of decisions concerning keyword advertising by online auction providers, see A.S.Y. Cheung and K.K.H. Pun (2009), 'Comparative Study on the Liability for Trade Mark Infringement of Online Auction Providers', *EIPR*, 559.

In his further opinion in *Interflora/Marks & Spencer*, Jääskinen again invited the Court to recalibrate the EU brand protection system in light of the need to reconcile trademark protection with competing fundamental rights. The case concerned an infringement action brought by Interflora on the grounds that Marks & Spencer bought the well-known Interflora trademark and several variants thereof as keywords for the advertising of its competing flower delivery service via the Google AdWords system. Addressing the coat-tail formula developed in *L'Oréal/Bellure* with regard to Art. 5(2) TMD, Jääskinen wondered why the Court did not make the existence of unfair advantage dependent on the conflicting use being detrimental to the trademark proprietor. In *L'Oréal/Bellure*, the CJEU had awarded protection against the taking of unfair advantage even though the trademark owner had failed to demonstrate the existence of any harm, such as an impairment of sales or a loss of reward for the promotion and maintenance of the trademark.⁶⁸ With regard to freedom of competition, Jääskinen warns against this background of:

a move away from a Pareto optimal situation. The situation of the trade mark proprietor would not improve as he by definition would not suffer any detriment because of the use, but the competitor's situation would worsen because he would lose a part of his business. Also the situation of the consumers who had not been misled by the ad but consciously preferred to buy the competitor's products would be impaired.⁶⁹

Seeking to safeguard Marks & Spencer's endeavours to present a commercial alternative to Interflora flower delivery services, Jääskinen proposes not to condemn the advertising simply because Marks & Spencer is taking advantage of the repute of Interflora's trademark, but to focus on the fairness of that use instead. In Jääskinen's view, the purpose of presenting a commercial alternative to the goods or services protected by a mark with a reputation should count as due cause in the context of modern marketing relying on keyword advertising on the Internet. Otherwise, keyword advertising using a third party's mark with a reputation would readily amount to prohibited free-riding. Such a conclusion, however, could not be justified in view of the need to promote undistorted competition and the possibilities of consumers seeking information about goods and services.⁷⁰

Although Marks & Spencer neither compares its goods and services with those of Interflora, nor presents its goods as imitations or copies, or even

⁶⁸ See CJEU, 18 June 2009, case C-487/07, *L'Oréal/Bellure*, paras 30 and 43.

⁶⁹ See AG N. Jääskinen, opinion of 24 March 2011, case C-323/09, *Interflora/Marks & Spencer*, para. 94.

⁷⁰ See Jääskinen, *ibid.*, para. 99. The need to further develop the condition of unfairness under Art. 5(2) TMD has also been pointed out by Kur, *supra* note 31, 6 and 10.

expressly presents them as alternatives, the importance attached to freedom of competition and freedom of information prompts Jääskinen to conclude that the mere choice of Interflora keywords in search engine advertising implies a marketing message that Marks & Spencer offer an alternative service. Given this implied message, the keyword advertising, according to Jääskinen, does not constitute free-riding in the sense of the coat-tail formula developed by the Court in *L'Oréal/Bellure*.⁷¹ Virtually, the Advocate General, therefore, calls upon the Court to drop the infringement automatism created in *L'Oréal/Bellure* and apply a strict test of unfairness instead. This proposal could pave the way for a more balanced approach to Art. 5(2) TMD after the continuous relaxation of infringement requirements in recent years.

In its judgment in *Interflora/Marks & Spencer*, the CJEU did not follow this proposal to reconsider the elastic test of unfairness. Instead, the Court confirmed the broad coat-tail formula developed in *L'Oréal/Bellure*. In the view of the Court, an advertiser deriving benefits from a trademark with a reputation by selecting that trademark as a keyword for its own advertising, in principle, takes unfair advantage of the trademark with a reputation.⁷² The Court added, however, that:

where the advertisement displayed on the internet on the basis of a keyword corresponding to a trade mark with a reputation puts forward – without offering a mere imitation of the goods or services of the proprietor of that trade mark, without causing dilution or tarnishment and without, moreover, adversely affecting the functions of the trade mark concerned – an alternative to the goods or services of the proprietor of the trade mark with a reputation, it must be concluded that such use falls, as a rule, within the ambit of fair competition in the sector for the goods or services concerned and is thus not without ‘due cause’ for the purposes of Article 5(2).⁷³

Instead of relaxing infringement criteria, the Court thus introduces a ‘due cause’ defence covering the use of trademarks for the purpose of informing Internet users of alternatives in the marketplace. In previous decisions, the Court has already shown its willingness to offer breathing space for keyword advertising services.⁷⁴ In *Google France and Google*, the CJEU held that the

⁷¹ See Jääskinen, *supra* note 70, paras 104–5.

⁷² See CJEU, 22 September 2011, case C-323/09, *Interflora/Marks & Spencer*, paras 86–9.

⁷³ CJEU, *ibid*, para. 91.

⁷⁴ With regard to the development of jurisprudence concerning keyword advertising in the EU, cf. Ohly, *supra* note 59; M.R.F. Senftleben (2010), ‘Keyword advertising – Geldend Europees recht en daaruit volgende systematiek’, *Bulletin industriële eigendom*, 346; J. Cornthwaite (2009), ‘AdWords or Bad Words? A UK Perspective on Keywords and Trade Mark Infringement’, *EIPR*, 347; R. Knaak (2009), ‘Keyword Advertising – Das aktuelle Key-Thema des Europäischen Markenrechts’,

search engine offering a keyword advertising service – in this case Google with its AdWords service – did not use affected trademarks in the sense of trademark law. It could not be inferred from the fact of creating the technical conditions necessary for the use of a trademark as a keyword, and receiving a payment for that keyword advertising service, that the search engine itself used the sign.⁷⁵ The Court confirmed this approach in *L'Oréal/eBay* by stating that the use of trademarks in offers for sale on the eBay platform did not amount to use of those trademarks by eBay itself. Instead, the use was made by eBay's customers placing the respective offers on the website.⁷⁶ Given the flexible approach to trademark use in recent years, these rulings come as a welcome surprise.⁷⁷ They place keyword advertising services offered by search engines beyond the direct control of trademark owners. Search engines may be held liable, however, for infringing advertising made by the users of the service, if they do not meet the requirements of the exemption for hosting in Art. 14 of the EU E-Commerce Directive.⁷⁸

Gewerblicher Rechtsschutz und Urheberrecht International, 551; C. Well-Szönyi (2009), 'Adwords: Die Kontroverse um die Zulässigkeit der Verwendung fremder Marken als Schlüsselwort in der französischen Rechtsprechung', *Gewerblicher Rechtsschutz und Urheberrecht International*, 557; G. Engels (2009), 'Keyword Advertising – Zwischen beschreibender, unsichtbarer und missbräuchlicher Verwendung', *Markenrecht*, 289; M. Schubert and S. Ott (2009), 'AdWords – Schutz für die Werbefunktion einer Marke?', *Markenrecht*, 338; O. Sosnitza (2009), 'Adwords = Metatags? Zur marken- und wettbewerbsrechtlichen Zulässigkeit des Keyword Advertising über Suchmaschinen', *Markenrecht*, 35; Ch. Gielen (2008), 'Van adwords en metatags', in N.A.N.M. van Eijk et al. (eds.), *Dommering-bundel*, Amsterdam: Cramwinckel, p. 101; O. van Daalen and A. Groen (2006), 'Beïnvloeding van zoekresultaten en gesponsorde koppelingen. De juridische kwalificatie van onzichtbaar merkgebruik', *BMM Bulletin*, 106.

⁷⁵ See CJEU, 23 March 2010, cases C-236/08-238/08, *Google France and Google/Louis Vuitton et al.*, para. 57.

⁷⁶ See CJEU, 12 July 2011, case C-324/09, *L'Oréal/eBay*, paras 101–5.

⁷⁷ With regard to opposite developments in the US and a critique of these developments, see S.L. Dogan (2010), 'Beyond Trademark Use', *Journal on Telecommunication and High Technology Law*, 8, 135. However, see also Dinwoodie and Janis, *supra* note 33, 1629–32, warning of an information overload that may result from widespread and unregulated sale of trademark-generated sponsored links.

⁷⁸ CJEU, 23 March 2010, cases C-236/08-238/08, *Google France and Google/Louis Vuitton et al.*, para. 114. A more detailed discussion of the safe harbour for hosting can be found in CJEU, 12 July 2011, case C-324/09, *L'Oréal/eBay*, paras 112–24, where the Court establishes the standard of a 'diligent economic operator' (para. 120) to be met by online intermediaries. As to the regulation of hosting service outside trademark law, see also the fundamental critique expressed by G.B. Dinwoodie and M.D. Janis (2007), 'Lessons From the Trademark Use Debate', *Iowa Law Review*, 92, 1703, 1717, who point out in the light of developments in the US that 'the sale of keyword-triggered advertising and the manner of presentation of search results potentially create independent trademark-related harm, thus making it an appropriate subject of direct liability.'

The *Google France* decision is also important with regard to the broad function theory governing Art. 5(1)(a) TMD after *L'Oréal/Bellure*. Discussing the liability of the advertiser using keyword advertising services, the Court held that using another's trademark as a keyword for one's own advertising did not encroach upon the advertising function of the affected trademark.⁷⁹ The CJEU comes to this conclusion by assuming that the website of the trademark owner would feature prominently among the natural search results, and that this prominent position would be sufficient to safeguard the advertising function.⁸⁰ This doubtful assumption⁸¹ appears as a strategic argument to bypass the new function theory altogether – at least with regard to the functions of communication, investment, and advertising that are typically fulfilled by marks with a reputation.⁸² The fact that the Court does not even address the communication and investment function in *Google France* confirms this impression. In the later *L'Oréal/eBay* decision, the Court also avoids a discussion of the communication, investment and advertising functions in the context of Art. 5(1)(a) TMD.⁸³ In *Interflora/Marks & Spencer*, however, the function theory features prominently again. The Court confirms the recognition of additional trademark functions under Art. 5(1)(a) TMD and devotes particular attention to potential encroachments upon the advertising and investment function.⁸⁴

5. BACK TO BASICS?

In an ideal world, the steps taken by the CJEU in keyword advertising cases would herald a fundamental change in the Court's attitude towards brand image protection. They would indicate that the Court is determined to bring trademark protection back into shape after the excesses of recent years. With a further sharpening of the conceptual contours of the notion of trademark

⁷⁹ CJEU, *supra* note 78, para. 98.

⁸⁰ CJEU, *ibid*, para. 97.

⁸¹ See Ohly, *supra* note 59, 782, who rightly points out that the assumption becomes questionable in the case of 'normal' trademarks not having a particular reputation. Webpages concerning these marks need not necessarily feature prominently among the natural search results. The argument even becomes invalid if the trademark owner does not have webpages.

⁸² With regard to the essential origin function that is traditionally protected under Art. 5(1)(a) TMD, the Court did not hesitate to hold keyword advertising liable of having an adverse effect. See CJEU, *supra* note 78, para. 90.

⁸³ See CJEU, 12 July 2011, case C-324/09, *L'Oréal/eBay*, paras 94–7.

⁸⁴ CJEU, 22 September 2011, case C-323/09, *Interflora/Marks & Spencer*, paras 37–40 and 56–64.

use,⁸⁵ a high threshold for assuming an adverse effect on newly protected trademark functions under Art. 5(1)(a) TMD, and a strict test of unfairness under Art. 5(2) TMD in line with the *Interflora* opinion of AG Jääskinen, the questionable protection of brand value would become subject to a careful case-by-case analysis again. A protection automatism that brings trademark rights close to exploitation rights could be avoided. Traditional protection against confusion could be brought into focus again. The risk of encroachments upon freedom of expression and freedom of competition could be reduced.

For several reasons, however, this return to trademark protection of less extravagant proportions is not very likely. First of all, it must not be overlooked that the *Google France* decision need not be interpreted as a radical departure from the expansionist course adopted by the Court in recent years. Besides the outlined cautious approach to the notion of trademark use and the protection of new trademark functions under Art. 5(1)(a) TMD, the decision also contains elements that point towards a further strengthening of protection. In particular, the CJEU imposed new obligations on advertisers with regard to the prevention of consumer confusion. As to the essential origin function traditionally protected under Art. 5(1)(a) TMD, the Court stated:

In the case where the ad, while not suggesting the existence of an economic link, is vague to such an extent on the origin of the goods or services at issue that normally informed and reasonably attentive internet users are unable to determine, on the basis of the advertising link and the commercial message attached thereto, whether the advertiser is a third party vis-à-vis the proprietor of the trade mark or, on the contrary, economically linked to that proprietor, the conclusion must also be that there is an adverse effect on that function of the trade mark.⁸⁶

In the almost simultaneous *BergSpechte* decision, the Court extended this specific standard to Art. 5(1)(b) TMD.⁸⁷ Both the origin function analysis under Art. 5(1)(a) TMD and the likelihood of confusion test under Art. 5(1)(b) TMD, therefore, now include the test whether the advertising is too vague to exclude a potential risk of consumer confusion. This recalibration of protection against confusion is nothing less than a shift from proof of likely confusion by the trademark owner to an obligation on all third parties to secure

⁸⁵ For an alternative concept focusing on contextual factors rather than the ‘wonder drug’ of trademark use as a limiting theory, see Dinwoodie and Janis, *supra* note 33, 1657–61.

⁸⁶ See CJEU, 23 March 2010, cases C-236/08-238/08, *Google France and Google/Louis Vuitton et al.*, para. 90.

⁸⁷ See CJEU, 25 March 2010, case C-278/08, *BergSpechte/Trekking.at*, paras 36 and 38–40.

market transparency when using keyword advertising services.⁸⁸ This change seems to corroborate the Court's efforts to overcome the rather defensive nature of traditional trademark rights. Instead of conceiving of trademark rights as instruments that shield trademarks from confusing use by third parties at the initiative of the trademark owner, the Court redefines protection against confusion as a positive obligation of third parties to keep a sufficient distance from the origin information conveyed via the trademark. *Google France*, therefore, does not necessarily put an end to the continuous broadening of trademark rights in recent years.

Moreover, it must not be overlooked that there are strong structural incentives for the Court to apply at least the eligibility criteria laxly. In Art. 5 TMD, for instance, a boundary line is drawn between use qualifying as trademark use in the sense of EU trademark law and falling under the harmonized rules set forth in Art. 5(1) to (4) TMD, and protection against use of a sign 'other than for the purposes of distinguishing goods or services' that, in accordance with Art. 5(5) TMD, remains unaffected by the Directive. The regulation of 'other use' of this latter nature, therefore, is left to the discretion of EU Member States. Apart from the Benelux countries that implemented Art. 5(5) TMD in regional trademark legislation,⁸⁹ this means that 'other use' is governed by the various protection mechanisms against unfair competition in EU Member States.⁹⁰ Whenever the CJEU finds a particular form of trademark use not to

⁸⁸ Cf. Ohly, *supra* note 59, 780; N. van de Laan (2010), 'Die markenrechtliche Lage des Keyword Advertising', in J. Taeger (ed.), *Digitale Evolution – Herausforderungen für das Informations- und Medienrecht*, Oldenburg: Oldenburger Verlag für Wirtschaft, Informatik und Recht, p. 597 at p. 605), who refer to active information obligations in unfair competition law. The practical consequences of this shift must be clarified in further case law. From the perspective of the trademark owner, the new formula may also be understood differently in the sense indicated in Max Planck Institute, *supra* note 59, para. 2.171, that 'the origin function would be adversely affected (only) in the case where a third party's ad suggests that there is an economic link between that third party and the proprietor of the trade mark.' For an overview of recent national case law, see N. van der Laan, 'The Use of Trade Marks in Keyword Advertising: If Not Confusing, Yet Unfair?', in N. Lee, G. Westkamp, A. Kur and A. Ohly (eds), *Property and Conduct: Convergences and Developments in Intellectual Property, Unfair Competition and Publicity*, Cheltenham, UK and Northampton, MA: Edward Elgar, forthcoming, chapter 11, section 5.

⁸⁹ See Art. 2.20(1)(d) of the Benelux Treaty Concerning Intellectual Property. Cf. Cohen Jehoram, van Nispen and Huydecoper, *supra* note 43, pp. 366–7; Gielen, *supra* note 43, pp. 256 and 286–7.

⁹⁰ With regard to the state of law against unfair competition in the EU and the interplay between harmonized EU law and national regimes, see F. Henning-Bodewig (2010), 'Die Bekämpfung unlauteren Wettbewerbs in den EU-Mitgliedstaaten: eine Bestandsaufnahme', *Gewerblicher Rechtsschutz und Urheberrecht International*, 273; F. Henning-Bodewig (2010), 'Nationale Eigenständigkeit und europäische Vorgaben

constitute relevant trademark use, the Court thus foregoes the opportunity of bringing that form of use under the umbrella of harmonized EU trademark law.

The exclusion of referential use from the notion of trademark use would prevent the Court, for instance, from setting an EU-wide standard for the way in which the public may be informed about repair and maintenance services offered with regard to trademarked products.⁹¹ A less flexible concept of trademark use, therefore, would reduce the level of harmonization which the Court can attain on the basis of the Trademark Directive.⁹² Against this background, the Court is unlikely to abandon the elastic interpretation of the notion of trademark use developed in past cases.⁹³ In *Google France* and *L'Oréal/eBay*, the Court may have felt that, nonetheless, it was unnecessary to qualify keyword advertising services provided by search engines or offers for sale displayed by online marketplaces as relevant trademark use. At least formally, the resulting harmonization vacuum could be filled by invoking the hosting rules laid down in the E-Commerce Directive instead.⁹⁴

In both cases, however, the Court still confirmed the flexibility of its trademark use concept with regard to the use made by keyword advertisers themselves. In *Google France*, the Court recalled the general principle that relevant

im Lauterkeitsrecht', *Gewerblicher Rechtsschutz und Urheberrecht International*, 549; R.M. Hilty and F. Henning-Bodewig (eds) (2009), *Lauterkeitsrecht und Acquis Communautaire*, Berlin/Heidelberg: Springer; R.M. Hilty and F. Henning Bodewig (eds) (2007), *Law Against Unfair Competition – Towards a New Paradigm in Europe?*, Berlin/Heidelberg/New York: Springer.

⁹¹ Cf. CJEU, 23 February 1999, case C-63/97, *BMW/Deenik*, para. 42, which concerned information on a car repair service specializing in BMW cars.

⁹² Cf. Kur, *supra* note 31, 11; P. Dyrberg and M. Skylv (2003), 'Does Trade Mark Infringement Require the Infringing Use be Trade Mark Use and if so, what is "Trade Mark Use"?', *EIPR*, 229, 232.

⁹³ This may change with a change of the status of Art. 5(5) TMD in a mandatory provision of harmonized EU trademark law. In this way, forms of other use could be regulated by the CJEU without having to apply a broad notion of trademark use. See Max Planck Institute, *supra* note 59, paras 2.221–2.222 and 2.229, with regard to this solution. However, it seems that the adoption of Art. 5(5) TMD as a mandatory provision brings along the further expansion of trademark protection into fields that, so far, may largely remain unaffected, such as the educational, scientific and cultural use.

⁹⁴ These rules, however, are approached differently by the courts in EU Member States. As a guideline, the CJEU held that, in order to invoke the safe harbour for hosting, the service provider had to be 'neutral, in the sense that its conduct is merely technical, automatic and passive, pointing to a lack of knowledge or control of the data which it stores.' See CJEU, 23 March 2010, cases C-236/08–238/08, *Google/Louis Vuitton et al.*, paras 114–119. In CJEU, 12 July 2011, case C-324/09, *L'Oréal/eBay*, para. 120, the Court also established the requirement to act as a 'diligent economic operator'. These guidelines, however, will hardly be sufficient to prevent different national standards. Cf. Ohly, *supra* note 59, 784, van der Laan, *supra* note 88, pp. 608–9.

trademark use existed in any event where the trader buying keyword advertising services used another's trademark in such a way that a link was established with the goods or services offered in the keyword advertisement.⁹⁵ In *L'Oréal/eBay*, the Court had the opportunity to further elaborate on that point with regard to the keyword advertising made by eBay. By selecting keywords corresponding to L'Oréal trademarks, eBay had sought to draw the attention of users of the Google search engine to L'Oréal products offered for sale on the website www.ebay.co.uk. The promoted goods, obviously, were offered by eBay's customers and not by eBay itself. Invoking the general rule that the establishment of a mere link with the eBay online marketplace was sufficient,⁹⁶ the Court, nonetheless, came to the conclusion that eBay made relevant trademark use. Although the goods concerned were offered by third parties, eBay's advertisements created 'an obvious association between the trade-marked goods which are mentioned in the advertisements and the possibility of buying those goods through eBay.'⁹⁷ Triggering a mere association with the trademark, in other words, was deemed sufficient to establish trademark use.

Further incentive schemes in EU trademark law for a generous approach to infringement criteria can be identified in the field of anti-dilution protection under Art. 5(2) TMD. The low threshold established by the CJEU with regard to the central eligibility criterion of 'having a reputation', for instance, has been criticized above as a missed opportunity to confine problematic protection against dilution to those trademarks that are likely to be blurred, tarnished, or unfairly exploited. The low standard of niche reputation developed by the CJEU, however, may be deemed compatible with relevant international norms and soft law recommendations.⁹⁸ If Art. 16(3) TRIPS is read to formally recognize the trademark dilution doctrine, the indications given in Art. 16(2) TRIPS and Art. 2(2) of the WIPO Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks suggest a rather low standard, according to which niche knowledge among only one specific target group of the products marketed under the trademark – consumers, distributors, or other business circles – is sufficient.⁹⁹

⁹⁵ See CJEU, 23 March 2010, cases C-236/08-238/08, *Google/Louis Vuitton et al.*, para. 72.

⁹⁶ See CJEU, 12 July 2011, case C-324/09, *L'Oréal/eBay*, para. 92.

⁹⁷ See CJEU, *ibid.*, para. 93.

⁹⁸ See Senftleben, *supra* note 4, 50–3.

⁹⁹ See WIPO Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks, WIPO publication No. 833, Geneva 2000, online available at <http://www.wipo.int/about-ip/en/development_iplaw/>. Cf. A. Kur (1999), 'Die WIPO-Vorschläge zum Schutz bekannter und berühmter Marken', *Gewerblicher*

Additional incentives for a niche reputation approach can be identified in the EU. In a regional common market with national sub-markets that differ considerably in size, a niche approach offers equal access to anti-dilution protection because it constitutes the smallest common denominator. A standard of nationwide reputation, arguably, would require less effort in small EU Member States. Community-wide reputation, by contrast, may be beyond reach for brands stemming from small countries.¹⁰⁰ Practical considerations of this nature may induce the CJEU to set a low threshold for the required territorial expansion of a mark's reputation even in the case of Community trademarks that enjoy protection across the entire EU territory. The *Pago* decision of the Court points in this direction.¹⁰¹

Considering these various incentives, it would be naive to assume that the Court is prepared to limit trademark rights to basic protection against confusion with minor extensions concerning dilution. By contrast, the Court is likely to stick to the expansion of trademark protection at least in respect of the flexible concept of trademark use and the low standard of 'having a reputation'. The doors to brand protection will thus remain wide open. In the field of infringement criteria, the Court already refused adopting a stricter approach to unfair advantage under Art. 5(2) TMD in *Interflora/Marks & Spencer*.¹⁰² Moreover, the Court confirmed in this decision its intention to protect communication, investment, and advertising functions in the context of Art. 5(1)(a)

Rechtsschutz und Urheberrecht, 866. With regard to the question whether Article 16(3) TRIPS sets forth an obligation to adopt anti-dilution legislation at the national level, see particularly M. Handler, 'Trademark Dilution in Australia?', *European Intellectual Property Review* 2007, p. 307. For further commentary on the TRIPS provisions, see N. Pires de Carvalho (2011), *The TRIPS Regime of Trademarks and Designs*, Austin/Boston/Chicago/New York: Wolters Kluwer, pp. 343–82; D. Gervais (2008), *The TRIPS Agreement: Drafting History and Analysis*, 3rd ed., London: Sweet & Maxwell, 274–9; A. Kur (1996), 'TRIPS and Trademark Law', in F.-K. Beier and G. Schricker (eds), *From GATT to TRIPS – The Agreement on Trade-Related Aspects of Intellectual Property Rights*, Studies in Industrial Property and Copyright Law, Vol. 18, Weinheim, p. 93 at pp. 107–8).

¹⁰⁰ A requirement of Community-wide reputation could not be established under the Trademark Directive anyway. Art. 5(2) TMD refers to trademarks having 'a reputation in the Member State' (emphasis added).

¹⁰¹ See CJEU, 6 October 2009, case C-301/07, *Pago/Tirolmilch*, para. 29: 'As the present case concerns a Community trade mark with a reputation throughout the territory of a Member State, namely Austria, the view may be taken, regard being had to the circumstances of the main proceedings, that the territorial requirement imposed by Article 9(1)(c) of the regulation is satisfied.' As to the territorial scope of prohibitions against infringement, see CJEU, 12 April 2011, case C-235/09, *DHL/Chronopost*, paras 46–50.

¹⁰² See CJEU, 22 September 2011, case C-323/09, *Interflora/Marks & Spencer*, para. 89.

TMD.¹⁰³ Hence, a fundamental departure from *L'Oréal/Bellure*, in the sense of a return to the high dilution threshold established in *Intel/CPM* and the abandoning of the newly created function theory, cannot be expected. Trademark rights in the EU, in other words, are not unlikely to remain relatively close to exploitation rights granted in other fields of intellectual property.

6. NEED FOR A NEW LIMITATION INFRASTRUCTURE

Given this low probability for a fundamental departure from the problematic status quo, the time is ripe to devise appropriate limitations on trademark rights instead of waiting for the CJEU to change its expansionist course.¹⁰⁴ On the basis of the foregoing analysis, the need for a new limitation infrastructure in trademark law is evident for at least three reasons.

Firstly, the architecture of the Trademark Directive was not designed to counterbalance the current scope of protection. As explained above, the Directive focuses on protection against confusion. Against this background, it is not surprising that the Directive specifically provides breathing space for the use of (trade) names and addresses, descriptive indications, and indications of the purpose of products in Art. 6 TMD, whereas it remains silent on other fundamental concerns, such as safeguards for freedom of expression and information. As the extension of the notion of trademark use to referential and decorative use was not necessarily foreseeable, precautions in this regard seemed dispensable. Only the anti-dilution regime in Art. 5(2) TMD was equipped with the flexible defence of 'due cause' that can be invoked to satisfy freedom of speech interests. This flexible defence, however, cannot generally be applied to all exclusive rights. It is confined to the regulation of brand protection in Art. 5(2) TMD. The moment the Court incorporates brand protection into other

¹⁰³ See CJEU, *ibid*, para. 40.

¹⁰⁴ For similar conclusions with regard to the situation in the US, see G.B. Dinwoodie (2009), Lewis & Clark Law School Ninth Distinguished IP Lecture: 'Developing Defenses in Trademark Law', *Lewis and Clark Law Review*, **13** (1), 99, 152:

However, as the scope of trademark protection expands and the metes and bounds of protection become more uncertain, we cannot rely exclusively on creative interpretation of the *prima facie* cause of action to establish limits. Trademark law must more consciously develop defenses that reflect the competing values at stake in trademark disputes.

exclusive rights,¹⁰⁵ the system, therefore, inevitably becomes imbalanced. The newly introduced protection of typical brand functions under Art. 5(1)(a) TMD testifies to this weak point in the architecture of the Trademark Directive.

Secondly, it was not foreseeable that the Court would use the Trademark Directive to absorb more and more unfair competition law. With the extension of the notion of trademark use to referential and decorative use, the Court brought forms of use ‘other than for the purposes of distinguishing goods or services’ under the umbrella of harmonized EU trademark protection standards. Considering Art. 5(5) TMD, it becomes clear that these forms of use were not intended to fall under the harmonized rights of trademark owners. By contrast, Art. 5(5) seeks to leave national provisions dealing with ‘other use’ unaffected by the harmonized provisions in Art. 5(1) to (4) TMD.¹⁰⁶ If Member States decide to include forms of other use in their trademark statutes, Art. 5(5) TMD, moreover, ensures appropriate counterbalances by also providing for the flexible defence of ‘due cause’. The CJEU, however, included referential and decorative use in the general notion of trademark use. In consequence, these forms of use become subject to the much less flexible Art. 5(1) TMD that grants exclusive rights without providing for an open defence that can be used to safeguard freedom of speech. As discussed above, particularly Art. 5(1)(a) TMD can easily become too heavy a burden for comparative advertising and parody. In the absence of a due cause defence, the breathing space for (commercial) freedom of expression is insufficient in this area of protection.

Thirdly, the existing limitations in the EU Trademark Directive are not necessarily applied in an efficient way by the CJEU. In *Portakabin/Primakabin*, for instance, the Court had to decide on the selection of the trademark PORTAKABIN (and variations with minor spelling mistakes) for Primakabin’s advertising of the sale of new and second-hand mobile building units, including those manufactured by Portakabin. To defend this keyword advertising, Primakabin invoked the exemption of the use of descriptive indications and indications of the purpose of products in Art. 6(1)(b) and (c) TMD, as well as the exhaustion of trademark rights under Art. 7 TMD. These limitations require compliance with a loyalty obligation in the sense of use of the trademark in accordance with honest practices in industrial or commercial

¹⁰⁵ For a description and assessment of this development, see Quaedvlieg, *supra* note 12.

¹⁰⁶ However, see F. Henning-Bodewig (2008), ‘Nicht markenmäßiger Gebrauch und Art. 5 Abs. 5 Markenrichtlinie’, *Gewerblicher Rechtsschutz und Urheberrecht International*, 301, with regard to the influence of Art. 5(5) TMD itself on national unfair competition law in EU Member States.

matters. Instead of applying these rules flexibly to create an efficient counterbalance to continuously expanding trademark rights, the CJEU aligned the loyalty obligation with the applicable infringement criteria. Recalling the above-described market transparency obligation imposed on keyword advertisers in *Google France* and *Bergspechte*, the Court concluded that keyword advertisers could not rely on the limitations in Arts. 6(1) and 7 TMD, if the advertisement was vague to such an extent that Internet users were unable to determine whether the advertiser was a third party vis-à-vis the trademark proprietor or, on the contrary, an economically linked undertaking.¹⁰⁷

While the conclusion as such may be reasonable, it is remarkable that the Court uses exactly the same considerations which support a finding of infringement, to reject the application of the limitations in Arts. 6(1) and 7 TMD. Defences must have an independent meaning different from relevant infringement criteria. Otherwise, a finding of infringement inevitably precludes the invocation of limitations and renders them meaningless. In *Portakabin/Primakabin*, the CJEU only partly complies with this basic prerequisite for balanced trademark protection. The Court admitted that in exceptional cases, Art. 6(1) TMD may still be available even though there is some likelihood of confusion.¹⁰⁸ In the case of Art. 7 TMD, the indication ‘used’ or ‘second-hand’ would be unproblematic. Moreover, *Primakabin* could not necessarily be prevented from including, in the marketing message appearing as a result of a search for ‘Portakabin’, second-hand goods bearing other trademarks.¹⁰⁹ With these additional considerations, the Court created loopholes for resellers. A real counterbalance to broad trademark protection, however, would require more flexibility.

The corrosive effect of these shortcomings in the architecture and application of the Trademark Directive must not be underestimated. Once the door to scrutiny in the light of trademark rights is opened wide on the basis of a broad concept of trademark use, the continuous relaxation of infringement requirements in recent years enhances the risk of a rash finding of infringement. Without appropriate defences, the reaction of EU trademark law to forms of referential and decorative use, for instance for the purposes of comparative

¹⁰⁷ See CJEU, 8 July 2010, case C-558/08, *Portakabin/Primakabin*, paras 68–72 and 81.

¹⁰⁸ See CJEU, *ibid*, para. 71, referring to CJEU, 7 January 2004, case C-100/02, *Gerolsteiner/Putsch*, paras 25–26, in which the Court explained that ‘[t]he mere fact that there exists a likelihood of aural confusion between a word mark registered in one Member State and an indication of geographical origin from another Member State is therefore insufficient to conclude that the use of that indication in the course of trade is not in accordance with honest practices.’

¹⁰⁹ See CJEU, *supra* note 107, paras 84 and 91.

advertising and parody, will most probably be too harsh. Therefore, an enhanced limitation infrastructure is needed to re-establish a proper balance between rights and freedoms.

In fact, the process of devising new limitations has already started. In *O2/Hutchison*, the CJEU itself took first steps to create additional breathing space for comparative advertising:

Consequently, in order to reconcile the protection of registered marks and the use of comparative advertising, Article 5(1) and (2) of Directive 89/104 and Article 3a(1) of Directive 84/450 must be interpreted to the effect that the proprietor of a registered trade mark is not entitled to prevent the use, by a third party, of a sign identical with, or similar to, his mark, in a comparative advertisement which satisfies all the conditions, laid down in Article 3a(1) of Directive 84/450, under which comparative advertising is permitted.¹¹⁰

As pointed out above, the Court confirmed this new limitation in *L'Oréal/Bellure*.¹¹¹ In this context, the rules of the EC Comparative Advertisement Directive are openly applied as an external balancing tool that is not reflected in harmonized EU trademark law itself.¹¹² The explicit recognition of this new limitation in EU trademark law would give evidence of the particular importance attached to commercial freedom of speech in the context of trademark protection.¹¹³

With regard to parody, criticism and comment,¹¹⁴ comparable external

¹¹⁰ See CJEU, 12 June 2008, case C-533/06, *O2/Hutchison*, para. 45.

¹¹¹ See CJEU, 18 June 2009, case C-487/07, *L'Oréal/Bellure*, para. 54.

¹¹² In *O2/Hutchison*, the CJEU could establish a link between the prohibition of confusion in Art. 3a(1)(d) of the Comparative Advertisement Directive and the likelihood of confusion test in Art. 5(1)(b) TMD. See CJEU, 12 June 2008, case C-533/06, *O2/Hutchison*, para. 69 and operative part. The balancing via external norms was less obvious under these circumstances.

¹¹³ Cf. Max Planck Institute, *supra* note 59, paras 2.260–2.262, proposing the inclusion of an explicit limitation regarding honest referential use that, besides comparative advertising, would cover use for purposes of indicating replacement or service, use for purposes of commentary and criticism, and parody.

¹¹⁴ For case law reflecting the need for appropriate balancing tools, see the aforementioned cases of the German Federal Court of Justice, 3 February 2005, case I ZR 159/02, *Lila Postkarte*, *Gewerblicher Rechtsschutz und Urheberrecht* 2005, 583, and 11 March 2008, case VI ZR 7/07, *Gen-Milch*, *Neue Juristische Wochenschrift* 2008, 2110, both online available at www.bundesgerichtshof.de. See also District Court of Amsterdam, 22 December 2006, case KG ZA 06-2120, *Denk vooruit*, *Intellectuele eigendom en reclamerecht* 2007, 139; Paris Court of Appeals, 14th chamber, Sec. A, 26 February 2003, *Greenpeace France/Eso and SPCEA/Greenpeace et al.*, *IIC* 35 (2004), 342; Constitutional Court of South Africa, 27 May 2005, *Laugh it Off Promotions CC v South African Breweries Int. (Finance) B.V. t/a Sabmark Int.*, case CCT 42/04, *IIC* 36 (2005), 868. Cf. Z.M. Navsa (2009), 'Trademark Dilution – No Laughing Matter',

balancing tools are not readily available. The EC Copyright Directive¹¹⁵ provides for limitations for the purposes of criticism and review, and caricature, parody and pastiche.¹¹⁶ However, in spite of the growing overlap between the two fields of intellectual property,¹¹⁷ copyright and trademark law are not intertwined to such an extent that copyright limitations could generally be applied analogously in trademark law.¹¹⁸ Instead, the CJEU would have to directly invoke the fundamental guarantee of freedom of expression in Art. 11 of the EU Charter of Fundamental Rights and Art. 10 of the European Convention on Human Rights.¹¹⁹ Therefore, the need to enshrine appropriate

EIPR, 455; C. Geiger (2006), “‘Constitutionalising’ Intellectual Property Law? The Influence of Fundamental Rights on Intellectual Property in the European Union”, *IIC* 37, 371, 395–7.

¹¹⁵ Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001, on the harmonisation of certain aspects of copyright and related rights in the information society (OJ 2001 L 167, 10).

¹¹⁶ See Art. 5(3)(d) and (k) of the Copyright Directive.

¹¹⁷ With regard to cumulative copyright and trademark protection, see S. Carre, ‘Marques et droit d’auteur: Métaphore d’une belle rencontre’, in Geiger and Schmidt-Szalewski, *supra* note 18, p. 25; M.R.F. Senftleben (2010), ‘Der kulturelle Imperativ des Urheberrechts’, in M. Weller, N.B. Kemle and Th. Dreier (eds), *Kunst im Markt – Kunst im Recht*, Baden-Baden: Nomos; V. Vanovermeire (2009), ‘Inschrijving als merk van een in het openbaar domein gevallen werk’, in A. Cruquenaire and S. Dusollier (eds), *Le cumul des droits intellectuels*, Brussels: Larcier, p. 177; A. Ohly (2007), ‘Areas of Overlap Between Trade Mark Rights, Copyright and Design Rights in German Law’, *Gewerblicher Rechtsschutz und Urheberrecht International*, 704; D.W.F. Verkade (1998), ‘The Cumulative Effect of Copyright Law and Trademark Law: Which Takes Precedence?’, in J.J.C. Kabel and G.J.H.M. Mom (eds), *Intellectual Property and Information Law – Essays in Honour of Herman Cohen Jehoram*, Den Haag, London and Boston: Kluwer, p. 69; J.H. Spoor (1990), *De gestage groei van merk, werk en uitvinding*, Zwolle: Tjeenk Willink.

¹¹⁸ This may be advisable, however, in cases where both rights apply cumulatively. Cf. M.R.F. Senftleben (2007), ‘De samenloop van auteurs- en merkenrecht – een internationaal perspectief’, *Tijdschrift voor auteurs-, media- en informatierecht*, 67; P.B. Hugenholtz (2000), ‘Over cumulatie gesproken’, *Bijblad bij de industriële eigendom*, 240.

¹¹⁹ With regard to the impact of the fundamental guarantee of freedom of expression on trademark protection, see the in-depth analysis conducted by Sakulin, *supra* note 21, and C. Geiger, ‘Marques et droits fondamentaux’, in Geiger and Schmidt-Szalewski, *supra* note 18, p. 163; L. Timbers and J. Huston (2003), ‘The “Artistic Relevance Test” Just Became Relevant: the Increasing Strength of the First Amendment as a Defense to Trademark Infringement and Dilution’, *Trade Mark Reporter*, 93, 1278; R. Cooper Dreyfuss (2008), ‘Reconciling Trademark Rights and Expressive Values: How to Stop Worrying and Learn to Love Ambiguity’, in G.B. Dinwoodie and M.D. Janis (eds), *Trademark Law and Theory: a Handbook of Contemporary Research*, Cheltenham, UK and Northampton, MA: Edward Elgar Publishing, p. 261.

defences for parody, criticism and comment in EU trademark law can be deemed even more pressing than in the case of comparative advertising where the specific rules laid down in the Comparative Advertisement Directive are readily available.

Inspiration for this internalization of safeguards for freedom of expression can be found, for instance, in the US trademark system. After the US Supreme Court required ‘a showing of actual dilution, rather than a likelihood of dilution’ in *Moseley v V Secret Catalogue*,¹²⁰ the 2006 Trademark Dilution Revision Act amended the anti-dilution provisions in the US Lanham Act. The threshold for giving proof of dilution was lowered in this context.¹²¹ Accordingly, the question of appropriate counterbalances arose and led to the introduction of a statutory, open-ended fair use provision that explicitly offers breathing space for parody, criticism and comment. To safeguard the freedom of the press, the provision also limits trademark rights with regard to news reporting and news commentary.¹²²

When comparable limitations are included in EU trademark law, these new limitations should be brought in line with existing limitations in the EC Copyright Directive that serve the same purposes.¹²³ In this way, a consistent system of corresponding limitations can be created that prevents the erosion of the freedom offered in copyright law in cases of overlap with trademark protection.¹²⁴

¹²⁰ See Supreme Court of the United States of America, March 4, 2003, *Moseley v V Secret Catalogue, Inc.*, 537 U.S. 418 (2003). Cf. Moskin (2004), ‘Victoria’s Big Secret: With Dilution Under the Federal Dilution Act’, *Trademark Reporter*, **93**, 842–59.

¹²¹ See Trademark Dilution Revision Act of 2006 (H.R. 683) amending the US Trademark Act of 1946 (15 U.S.C. 1125). With regard to the required proof of dilution, this new legislation clarifies that protection against dilution is to be granted ‘regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury’. Cf. Beebe, *supra* note 26, 1143; C. Chicoine and J. Visintine (2006), ‘The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act 2006’, *The Trademark Reporter*, **96**, 1155.

¹²² See Section 43(c)(3) of the US Lanham Act, as amended by the 2006 Trademark Dilution Revision Act. For a description of the situation under the former US Federal Trademark Dilution Act, see M.K. Cantwell (2004), ‘Confusion, Dilution and Speech: First Amendment Limitations on the Trademark Estate: An Update’, *The Trademark Reporter*, **94**, 549. With regard to common law fair use defences in the US, see J. Moskin (2005), ‘Frankenlaw: The Supreme Court’s Fair and Balanced Look at Fair Use’, *Trademark Reporter*, **95**, 848.

¹²³ See the aforementioned Art. 5(3)(d) and (k) of the Copyright Directive 2001/29/EC. With regard to use privileges for the press, see Art. 5(3)(c) of the Copyright Directive covering the reporting of current events.

¹²⁴ Cf. M.R.F. Senftleben (2011), ‘Overprotection and Protection Overlaps in Intellectual Property Law: The Need for Horizontal Fair Use Defences’, in A. Kur and

Finally, it is remarkable that, besides the aforementioned specific limitations, the US provision generally exempts '[a]ny fair use, including nominative or descriptive fair use, or facilitation of such use.'¹²⁵ This safety net of an open-ended limitation recalls the general defence of 'due cause' in Art. 5(2) TMD. The US example shows that, irrespective of the introduction of several specific limitations, it is advisable to also provide for a general safeguard clause that can be invoked in the case of new, unforeseen developments that require additional balancing tools.¹²⁶ With a general limitation of this type, courts are rendered capable of reacting adequately to new technologies. The problems raised by keyword advertising can serve as an example in this regard. As trademark rights become broader, they also become more likely to absorb forms of use that serve important competing interests and should remain free for this reason. In this situation, the safety net of a flexible defence enables the courts to maintain a proper balance between rights and freedoms.¹²⁷ As pointed out above, the CJEU relied on the flexible 'due cause' defence in *Interflora/Marks & Spencer* to create breathing space for keyword advertising informing consumers about alternative offers in the market.¹²⁸

A comparable need for additional flexibility may arise, for instance, with regard to research and teaching, and the use of trademarks for cultural purposes. Admittedly, activities in these fields do not necessarily occur 'in the context of commercial activity with a view to economic advantage and not as a private matter.'¹²⁹ Accordingly, they may be unlikely to constitute 'use in the course of trade' in the sense of EU trademark law and would remain outside

V. Mizaras (eds), *The Structure of Intellectual Property Law: Can One Size Fit All?*, Cheltenham, UK and Northampton, MA: Edward Elgar Publishing, p. 136, available online at <http://ssrn.com/abstract=1597123>. With regard to proposals concerning the convergence of infringement criteria, see F.W. Grosheide (1998), 'Zwakke werken – Een pleidooi voor een merkenrechtelijke benadering van de inbreukvraag in het auteursrecht', in D.W.F. Verkade and D.J.G. Visser (eds), *Intellectuele eigenaardigheden: Opstellen aangeboden aan mr Theo R. Bremer*, Deventer: Kluwer, p. 121.

¹²⁵ See Section 43(c)(3) of the US Lanham Act, as amended by the 2006 Trademark Dilution Revision Act.

¹²⁶ See Max Planck Institute, *supra* note 59, para. 2.266, also proposing a general fair use clause to allow for flexibility in situations not previously envisaged by the legislator, particularly with regard to new business models emerging in the digital environment.

¹²⁷ For a more detailed discussion of this point, see Senftleben, *supra* note 124, pp. 170–9.

¹²⁸ See CJEU, 22 September 2011, case C-323/09, *Interflora/Marks & Spencer*, para. 91.

¹²⁹ For this definition of 'use in the course of trade', see CJEU, 23 March 2010, cases C-236/08–238/08, *Google/Louis Vuitton et al.*, para. 50; CJEU, 12 November 2002, case C-206/01, *Arsenal/Reed*, para. 40.

the reach of trademark rights from the outset.¹³⁰ With increasing partnerships between private companies and educational, scientific, and cultural institutions, however, the absence of use in trade may become less evident, while the socially valuable objectives of sponsored activities still justify an exemption from the control exerted by trademark owners. In the case of cultural activities, it can be added that freedom of art may be understood to cover accompanying promotion and marketing activities.¹³¹ From this perspective, it would also make sense not to rely exclusively on an exemption based on the condition of use in the course of trade.

A final lesson can be learned from the limited scope of the due cause defence in the current Trademark Directive. As indicated above, this open defence only applies to brand protection under Art. 5(2) TMD and the extension of trademark protection to use ‘other than for the purposes of distinguishing goods or services’ under Art. 5(5) TMD. As the CJEU decided to offer brand protection and protection against other use also under Art. 5(1)(a) TMD, this limited scope of the defence led to imbalanced protection. Against this background, it is advisable to generalize this safety net and render the due cause defence applicable across all exclusive rights granted in EU trademark law. The proposed specific limitations for the purposes of comparative advertising, criticism and review, caricature,¹³² parody and pastiche, and the report-

¹³⁰ However, see the analysis conducted by the Max Planck Institute, *supra* note 59, para. 2.66, according to which ‘it appears that “in the course of trade” must be distinguished primarily from private use.’ Cf. also paras 2.160–2.162 of the analysis. Educational, scientific and cultural use does not constitute private use in a strict sense. Hence, it may qualify as use in the course of trade in certain cases and become subject to the exclusive rights of trademark owners.

¹³¹ For an approach to the fundamental freedom of art covering both creation (‘Werkbereich’) and dissemination (‘Wirkbereich’), see German Federal Constitutional Court, 3 November 1987, case 1 BvR 1257/84, *Herrnburger Bericht*, published in the official collection *BVerfGE* 77 (1987), 240, where the Court held that the freedom of art covered advertising for a work of art. If the trademark of a third party is used for the purpose of advertising an art work, this freedom of art, necessarily, must be reconciled with the fundamental guarantee of property, including intellectual property. Cf. H.D. Jarass and B. Pieroth (2010), *Grundgesetz für die Bundesrepublik Deutschland – Kommentar*, 11th ed., Munich: C.H. Beck, pp. 207–12. A new trademark limitation regulating this field could provide guidance for an appropriate balancing of interests in this context. As to the status of intellectual property within the EU system of human rights, see the critical comments by C. Geiger (2009), ‘Intellectual Property Shall be Protected!?’ – Article 17(2) of the Charter of Fundamental Rights of the European Union: A Mysterious Provision with an Unclear Scope’, *EIPR*, 113.

¹³² The reference to caricature stems from Art. 5(3)(k) of the EC Copyright Directive and is proposed here, as pointed out above, also in the context of trademark law to harmonize the limitation infrastructure in the two – often overlapping – fields of intellectual property law. While the category of caricature may perhaps be deemed less

ing of current events should also be implemented as defences that can be applied to all exclusive rights. In other words, these specific limitations and the open due cause defence should be added to the catalogue of limitations in Art. 6 TMD.

7. CONCLUSION

In recent years, the CJEU has broadened the scope and reach of EU trademark protection constantly, in particular in the area of brand protection. Developing a flexible concept of trademark use that encompasses referential and decorative use, the Court opened the doors to trademark protection wide. With the adoption of a remarkably low threshold for a showing of reputation, these doors are kept wide open also with regard to enhanced protection against dilution. In addition, the Court found mere attempts to ride on the coat-tails of a mark with a reputation to amount to trademark infringement under Art. 5(2) TMD. Use having an adverse effect on typical functions of marks with a reputation – communication, investment, and advertising functions – became actionable under Art. 5(1)(a) TMD.

This systematic relaxation of eligibility and infringement criteria can hardly be justified. The rationales underlying the protection of brand investment and brand communication are rather weak. In particular, the incentive and reward rationales that serve as a basis for exploitation rights in other fields of intellectual property are inapplicable in this context. Unlike inventors and authors, the brand owner cannot validly claim to have created intellectual property that furthers science or art. The trademark does not fall into the public domain after a limited period of time to enrich mankind's universal treasury of intellectual creations. Against this background, it remains unclear why the CJEU paved the way for more generous and readily available brand protection. With these steps, the Court approximated trademark rights to exploitation rights without a sound policy justification.

With the challenges arising in the digital environment, the imbalances caused by this jurisprudence clearly come to the fore. As the limitations recognized within the EU trademark system are incapable of coping with the excessive protection following from the extensions in recent years, the CJEU had to invoke the rules of the Comparative Advertisement Directive as an external balancing tool to create breathing space for comparative advertising. To offer

relevant in a trademark context, it may still become important with regard to portrait trademarks. For a discussion of developments in this area, see C. Gielen (2009), 'Portretmerk: een non-merk?', in D.J.G. Visser (ed.), *Commercieel portretrecht*, Amstelveen: deLex, p. 113.

even more space, the Court supplemented the application of the Comparative Advertisement Directive with an open-ended 'due cause' defence that also serves the purpose of informing customers about alternatives in the market. It remains to be seen whether the Court will develop comparable balancing mechanisms with regard to parody, criticism, and comment. Otherwise, an encroachment upon freedom of expression and information seems inevitable.

While the questions raised by keyword advertising may lead to the development of a more nuanced coat-tail formula in the context of Art. 5(2) TMD, and a cautious approach to the function theory governing Art. 5(1)(a) TMD, a fundamental departure from *L'Oréal/Bellure*, in the sense of a return to a high threshold for anti-dilution protection, cannot be expected. By contrast, trademark rights in the EU are not unlikely to remain relatively close to exploitation rights granted in other fields of intellectual property. Furthermore, the CJEU is unlikely to change its expansionist course in the area of eligibility criteria. A broad concept of trademark use allows the Court to bring more and more non-harmonized unfair competition law under the umbrella of harmonized EU trademark law. The lax reputation test in the field of anti-dilution protection may be deemed inevitable to offer equal access to anti-dilution protection in a regional common market with national sub-markets that differ considerably in size. The doors to generous brand protection will thus remain wide open.

For this reason, the time is ripe to devise an appropriate limitation infrastructure that is capable of counterbalancing the broad grant of protection. The limitation for comparative advertising that the Court deduced from the Comparative Advertisement Directive should be reflected in EU trademark law. Additional limitations are indispensable with regard to criticism and review, and caricature, parody and pastiche. To secure the freedom of the press, they should be accompanied by safeguards for the reporting of current events. Measures could also be taken with regard to the use of trademarks for research, teaching, and cultural purposes. In any case, the updated limitation infrastructure should provide for a general due cause defence that can be used in unforeseen circumstances requiring the further limitation of trademark rights. As the CJEU tends to trespass across the boundary lines between protection against confusion in Art. 5(1) TMD and protection against dilution in Art. 5(2) TMD, the new limitations and the general due cause defence should be applicable across all exclusive rights of trademark owners. They should be added to the list in Art. 6 TMD.